

MODERN ELOQUENCE

VOLUME FOUR

ADDRESSES

MODERN ELOQUENCE

IN TWELVE VOLUMES

*The outstanding After-Dinner Speeches, Lectures and Addresses
of Modern Times, by the most eminent speakers
of America and Europe*

VOLUME

I—AFTER DINNER SPEECHES, A-D

II—AFTER DINNER SPEECHES, E-M

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IV—ADDRESSES—Business and Industry

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Educational, Professional

VII—ADDRESSES—Church, Cause, Country

VIII—FAMOUS LECTURES—Humorous,
Inspirational, Scientific

IX—MASTERPIECES—European

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XII—FIVE HUNDRED BEST ANECDOTES—INDEX

*Introductory Essays by Eminent Authorities giving a Practical
Course of Instruction on the Important
Phases of Public Speaking*

MODERN ELOQUENCE

FOUNDED BY THOMAS B. REED

VOLUME FOUR

ADDRESSES

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PREFACE

When the first edition of "Modern Eloquence" was published, it contained very few speeches by business men and very few speeches on topics of primary interest to the business world. In the old days if a Board of Trade or a Chamber of Commerce held a dinner, it was likely to call in a clergyman or a politician to make the speech of the evening. The successful banker or manufacturer did not usually view the art of eloquence as of much practical service in his affairs, however delightful an accomplishment it might be for men of greater leisure. Today, conditions are different. Our great commercial concerns have employment for good talkers. The leaders of the industrial world are invited to the platforms of our colleges and welcomed as speakers at our dinners and assemblies. Our huge corporations have spokesmen to present their cases before the bar of public opinion. The twenty years that have elapsed between the first and revised editions of this series have witnessed the successful entry of the man of business into the forum of public discussion. Any young man may well regard a training in public speaking as an essential part of his preparation for a career in business.

Although the causes which have brought about these changed conditions are too numerous and complex for a brief analysis, a few of them may be noticed because they are still operative and likely to attract increasing attention and comment.

In the first place, the last twenty years have been marked by an enormous expansion of advertising and salesmanship in this country. We are temperamentally sellers rather than buyers, and modern commerce relies in the first instance on extension of sales. It requires talk to sell goods. Superior salesmanship requires superior talk. One of the chief uses of eloquence in the daily task of the world's work is to present the merits of some article, person, organization or idea so as to persuade and convince the public. Our great industries are

ever seeking for young men who are sellers, who can use the arts of speech so as to inform and persuade.

A second cause for the increase of public speaking among business men is to be found in the multiplication of associations. Every city now has its Board of Trade or Chamber of Commerce. Every retail or wholesale group of merchants, every industry, every trade has its organization. The largest of them is doubtless the American Federation of Labor with its membership of nearly five million; but there is no group of employers or employees so small that it cannot find affiliation with some similar bodies. The existence of an association of any sort demands public speech. The very essence of organization is a common and helpful understanding among the members, which must be promoted by conference and discussion. We are in an era of conventions, conferences, meetings and reunions. The majority of the speeches in this volume were addressed to meetings of one association or another. The officers of nearly every organization, whether it be a group of retail dealers in a city or a labor union, a great trust or a convention of bankers, are supposed to be able to act as its spokesmen as well as its directors. Every important association feels the need of a representative who can command the attention of a wider audience than its own membership affords. Our nation is composed of many organizations other than those indicated in its political constitution. Almost all our citizens, women as well as men, are banded together by causes or trades or professions or business into associations whose voices are heard in the forum of national discussion.

In the third place, modern business has been rapidly coming to realize that its management, its principles, even its methods and its profits, are matters of public interest. The day is past when a capitalist could limit his public addresses to the single sentence "The public be damned." The public of our day has demanded that it be taken into the confidence of "big business," and the wiser leaders of our corporations have seen that a frank and free discussion between capital, labor and the public is for the advantage of all concerned. The necessity of such discussion and understanding was felt first in the case of the public service corporations which have grown so numerous and so

important—such as, the railways, the street railways, the gas and electric light companies. The debate aroused by the affairs of these organizations is still intense and is likely to continue so for another generation. But meanwhile the public has extended its interest to other concerns—to the sellers of steel and oil and sugar and beef and automobiles. The leader of any great industry is bound to consider not merely how he shall run his business but what he shall say to the public. And in turn the public has become eager to learn not merely the facts about the business but something also of the personalities and opinions of its leaders. A glance at the contents of this volume will be enough to indicate that many of our captains of industry have become highly skilled in addressing the public and that their words are exercising a powerful influence upon the American people.

In the fourth place, the subjects that are before the nation for discussion and decision are largely economic, industrial or financial. Naturally the leaders of business wish to share in this debate. They are no longer willing to leave it to the members of congress and legislature. Possibly it is true that fewer persons to-day than fifty years ago read the records of our Senate and House of Representatives, but there are vastly more persons to-day than then who give some heed to the never ceasing discussion of press and platform. Every step in the growth of the press, in the rapidity of communication, in the ease with which large bodies of people can be brought together in assembly, aids in rendering this debate of business questions nation wide. Our pressing problems of the railroads, of strikes, of the relation of labor and capital, of taxation, of the debts to us from our allies, of government regulation, are being debated not only in congress and in the press but before countless associations, and not only by our political representatives but by those who are still actively sharing in the risks of capital, the responsibilities of management or the aspirations of labor.

The operation of all four of these causes that have pushed the man of business to the platform was at first retarded but finally accelerated by the World War. All the arts of salesmanship were employed in distributing the Liberty bonds.

Every existing association lent itself to patriotic service, and the need for enormous economic productivity required an unexampled development of business organization. It became a patriotic necessity that the affairs of many business undertakings should gain the interest and sympathy of the public. And though every issue and difference might be subordinated to the main purpose of winning the war, it soon became evident that, when the war was won, our people would return to an eager discussion of economic, industrial, and financial problems.

It may be asked whether all this discussion affords much genuine eloquence. This is a question which has occurred to many of the gentlemen who have been asked for permission to include their speeches in this volume. They have modestly replied, "We are not orators, we do not make eloquent speeches, we simply say things in a straightforward fashion." It is no doubt true that their speeches are often expository and informative rather than appeals to feeling. The business man is not usually an emotionalist and he is likely to hold his fancy closely leashed to common sense. What are the qualities of modern eloquence? It appeals, we believe, to the reason rather than to passion and prejudice. It should have the support of ideas as well as of carrying voice and graceful gesture. But eloquence is something more than the sensible and reasonable presentation of facts and opinions. It is the transmission of personality from speaker to audience; and personality is revealed less by the operation of the reason than in the play of the feelings, sympathies and imagination. The eloquent man, whether ancient or modern, whether in business or profession, has the power of conveying his personality to his hearers. The business man who becomes a public speaker must appeal to emotions as well as intelligence. He must seek to win the attention and the interest and finally the sympathy and approval of his audience for himself as well as for his cause. Mr. George Vincent, one of our most eloquent speakers, reports as almost the greatest compliment he ever received the comment of a Kansas farmer at the close of one of his addresses: "He ain't no orator but he's a damned good talker."

No such collection as that presented in this volume has ever

been made before. It presents speeches on topics of interest in modern commerce and industry made in almost all cases by leaders in these fields and usually before assemblies representing organizations of business men. The collection should prove of interest to the reading public and especially to young men in business who are ambitious to become public speakers.

The speeches in the volume constitute a survey from various points of view of the economic and industrial subjects which are of most pressing interest at the present time. The larger problems of ethics in business, of the relation of labor and capital and of the financial reconstruction of a war-stricken world, are discussed by those who must take an active part in their solution. And there are many more specialized themes of vital importance. The book becomes an epitome of the world's debate over its business problems.

The speeches are interesting because of the speakers as well as because of what they say. There is a remarkable assemblage of personalities. The leading figures of American and British business are gathered as around a table for a discussion to which the public is invited. How vividly for example the personality of Mr. Schwab is revealed in his talk to the boys at Princeton on Success in Life. How vigorously the personality of Mr. Gompers is manifested in his speech setting forth the purpose of the Federation of Labor! The reader has an opportunity to study men as well as ideas.

The speeches may also be offered as examples for the young speaker. The youth of to-day is not likely to have the chance to talk like Edward Everett or Daniel Webster even if he has the ability. The subjects on which he is likely to speak are similar to those presented in this volume. And the methods which will lead to an effective presentation of ideas to an audience are those followed by the business man addressing his associates. It would be going too far to assert that these speeches are models, but they at least point the pathway that must be trod and suggest, whether by their merits or defects, the means that must be practiced and mastered if the young speaker is to contribute to modern eloquence.

Full and practical directions and suggestions for training in public speaking are given in the Introduction which follows,

prepared by Dean Joseph Johnson of the School of Commerce, New York University.

A number of the speakers in this volume have already been represented in the After-Dinner Speeches of Vols. I-III. Mr. Charles Schwab's tribute to Andrew Carnegie and Mr. Otto Kahn's Estimate of Edward H. Harriman are in Vol. V. of Occasional Addresses.

THE BUSINESS MAN AS A PUBLIC SPEAKER ¹

BY JOSEPH FRENCH JOHNSON, LL.D.

Dean of the School of Commerce, New York University

WE often hear it stated that business men are doers, not talkers. The aphorism goes too far. A more correct statement would be that efficient business men are good doers, that many of them are good talkers, and that a few of them are good speakers.

Talk plays a larger part in the conduct of business than is often realized. Any time after the executive has come to business and goes into his office, the young woman at the switch-board is very likely to tell you that he is "in conference." He sees and talks with a continuous stream of his associates, his subordinates, and outsiders with whom he has his business dealings. He talks much, and he talks effectively. Again he must attend oftentimes the meetings of his Board of Directors, and again talk is the medium by which business is transacted. When not in conference or at the Board he is occupied with his correspondence, and transacts his business by talking to his secretary. Apart from the obligation or privilege of attending the Board meetings the work of many heads of departments is exactly parallel to that of the head of the business. Nor can we ignore in modern business the important, and certainly not voiceless, activities of the salesman.

As a matter of fact it is comparatively rare to find a good business man who is not at the same time a good talker. He is a good talker because as a rule he knows what he is talking about, and he is perfectly natural and unaffected. Any one who has overheard the conversation at a business luncheon or

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who has attended the meetings of Boards of Directors will recognize that the business man is ordinarily a master of clear and forcible statement. He is at his best with an audience of one or at the most a small group that can gather around a table or occupy the chairs in his office without bringing in any extra chairs. In other words, his forte is conversation. Enlarge his audience to fifty or one hundred or put him up in a conference hall with three or four hundred people to listen to his words and his confidence often oozes out. He not infrequently halts, stammers and makes an exhibition which is often equally painful to his audience and himself.

Some will say that a cat in a strange garret is always ill at ease and one cannot reasonably expect self-command when you put business men on the platform. What difference, they ask, does it make whether a business man can make a speech or not? Business, fortunately, does not rest like government on the basis of speech-making. This is, of course, true in a measure; but it utterly ignores the important developments in modern day business which more and more present occasions where the presence of the business man on the public platform is a matter of necessity. Business units, for example, have grown so large that mass meetings are oftentimes the only effective means by which under certain circumstances the employer can reach those who are associated with him in business. Then again these business units are coöperating to such an extent that the business man feels that he cannot with propriety decline an invitation to read a paper at a trade conference. He is interested in the welfare of his craft as well as in the prosperity of his own enterprise. The business man is more and more a factor in civic affairs. His presence at the Board of Trade dinner is in one sense a part of the conduct of his business. He must be ready to take an active part and to speak if called upon. The schools, civic organizations of all kinds, the Y. M. C. A. and the church are looking more and more to business men for leadership, and these wider duties of the business man make it necessary for him more than ever before to cultivate the gift of public speech.

THE SPEECH OR PAPER—ITS PARTS AND PREPARATION

General.—The tasks of reading a paper at a trade conven-

tion or making a speech at the meeting at the Chamber of Commerce have much in common. Most of the considerations which apply to the one are equally true of the other. At the outset then we may properly consider some characteristics of composition that are common to both spoken and written utterances. In so doing we are not unconscious of the fact that there are certain important differences between the two styles of composition.

Whether we are reading a paper or speaking without notes, the first effect is on hearers and not on readers. This is a distinction which is oftentimes forgotten by those who write papers which they propose to read in public. They forget that a certain amount of repetition would be nauseous to the reader of the paper after it has been printed in the transactions of the society, but is very welcome to the auditors who listen to it in the first place. The effective speaker is the man who can clothe the same thought in different ways and bring it out with sufficient frequency that it cannot fail to make the desired impression.

On the other hand, it is not to be forgotten that the speech is freer in form and is not expected to have the same polish or finish that is looked for in the paper. Consequently, while the paper which is written to be read must avoid "vain repetition," the paper which is written to be heard may repeat to a limited degree without offense and the speaker may repeat quite freely.

It is related that an old clergyman gave the following advice to one of his younger brethren. He said, "In preaching a sermon there are only three things to do, first tell the people what you are going to say, second say it, and third tell them what you have said." Of course, the business speaker cannot take this advice too literally. In the days when it originated the sermons were of indefinite length, but the business man who finds himself on the platform is generally limited either by the conditions of the contract or at least by courtesy to his hearers to a somewhat definite period of time. Yet the remark of the old preacher brings out the three essential parts of any paper or discourse; the introduction, the main subject-matter, and the conclusion, to which attention should be given.

It will be noted that preparation is just as necessary for a speech without notes as for a paper which is to be read. This is not the place to weigh the relative merits of reading and speaking. There can be no doubt that there is a directness and vigor in the speech which is often lacking in the paper which is read. But if extemporaneous speaking has many virtues which an audience would appreciate, extemporaneous thought is an insult to the audience. Whenever, and this is true in a majority of cases, a man has notice that he is expected to speak, it is a duty which he owes to himself as well as to his hearers to give such preparation to his remarks as the occasion demands. A rambling speech is likely to please no one but the speaker. If your only object is to be out in the open for a certain length of time, you can run your auto wherever it pleases your fancy; but if you want to go to a certain place, you seek the most direct route. There are, of course, certain licensed ramblers on the highways of oratory, such as the well-known Billy Sunday, but they do not speak as business men, and they do not deal with the subjects which a business man is likely to handle when he addresses an audience.

The Introduction.—The purpose of the introduction is to secure the interest of the reader or hearer and enlist his curiosity for what is to follow. It is varied in its possibilities. It may follow the old preacher's advice and briefly indicate the general scope of the argument to be presented. More frequently it seeks to impress upon the reader or the hearer the importance of the topic which is to be considered. It is easier to indicate what the introduction should not contain than to give any specific instructions as to what it should contain.

One of the most common faults of speakers and in a less degree of writers is to make the introduction too long-winded. It is a peculiar temptation of the public speaker who on many occasions seems under the painful necessity of pawing the air an indefinite length of time before he really grasps the subject on which he has to speak. A writer is more likely to get down to business more promptly. Some introductory remarks are usually advisable, but the best practice is to make them brief, or even to avoid them altogether when time is limited.

The common fault of the introduction is that it is too long, wanders too much and exhausts the hearer before the real subject is reached. To this defect is often added a faulty opening which makes a bad impression. Diffidence and inexperience incline many men, one might almost say most men, to begin with some sort of apology. Nothing is more objectionable. The speaker should remember if he is before an audience that, like the well-known advertisement, there is a reason. It may, therefore, be worth while to consider a few don'ts in connection with the introductory opening which seem to be perfectly obvious but which are often so violated that their mention is pertinent.

Don't belittle yourself by showing any doubt of your ability to handle the subject. How often do we hear a speaker begin, "I don't know that I am very well qualified to speak on this subject, but—." It is doubtless a feeling of modesty that prompts such an apology, but it is a very unfortunate one. The speaker who uses it disparages his own efforts at the start. But worse than that, and that is what he doesn't stop to consider, he casts a doubt on the wisdom of those who asked him to speak. There is no need of speaking here about the man who directly or indirectly chooses himself as a speaker. He never apologizes for having done so, but these men are few. Most people speak because they are asked to do so, and if those who have charge of the conduct of the meeting have confidence in the ability of the man whose aid they solicit to present the subject the attitude of the speaker should be to do everything that he can to justify that confidence.

Don't make any excuses for inexperience as a speaker. They are either superfluous or insincere. How useless it is for a man to tell his audience, "I am not much of a public speaker." If it is true they will soon find it out, if it isn't true and the audience recognizes that fact, the note of insincerity which was attached to the opening will ring throughout the entire subject.

Don't minimize the importance of what you propose to say. If a man is tempted to begin his address with "There is little I can say on this subject," let him resist the temptation. What he should do is to say, "There is one point in this connection that I want to impress upon you very forcibly." Whatever

he may have to say let him assume that it is worth saying, making no mention of the many other things which might be worth saying which for one reason or another he passes over.

The long and short of this suggestion is that one should be positive and not negative. You may know little about the subject, you may tell it in a very indifferent way and you may touch on only one or two points, but there is no use of advertising such facts. Perhaps if you do not call attention to them others will not observe them. Modesty and humility have their place, but the place is not the public platform. This does not mean to imply that the public speaker should be arrogant in his tone; nothing is more offensive. It does mean, however, that he should have the courage of his convictions and, whatever the circumstances, he should be imbued with the determination to do the best that is in him to meet the needs of the situation as well as he can. Even though he may fall short of a perfect performance his audience will give him the tribute which it is stated was inscribed on a grave-stone in the far West, "He did his damndest, Angels could do no more." The old preacher's advice that in the beginning you should tell them what you are going to say is good advice. It may be well for you to follow it, but if you do so remember that you are making a business address and not a sermon, and that your first duty to yourself and your audience is to be brief.

Be wary of the funny story introduction. One of the most common faults of unskilled speakers is "a deliberate and obvious attempt to make the audience laugh at the outset by being 'reminded' of some story or anecdote. Humor is fine sauce for a speech, but it must seem to be spontaneous and natural." The telling of anecdotes assumes a feeling of fellowship and intimacy with your audience, and this cannot exist until you have become acquainted. Many a story which would fall flat as a pancake at the beginning of a speech can, when it clinches your point, be used with telling effect at a later stage.

The Speech or Paper Proper. (a) *Need of a Plan.*—The first requisite of any speech or paper is that it should have backbone. This is only a figurative way of saying that it should have a definite structure and that its parts should be fitted together in a natural and logical way. But while the idea of

backbone is figurative it is so familiar that in slightly different phrasing it has become practically a technical term of composition. How often does the teacher say to the pupil, "First draw up your skeleton"? Again a statement that is vague, indefinite and uncertain is frequently described as spineless.

Plan then is a primary requisite, and too much time cannot be spent in making it definite and precise. For example, the present Report was carefully outlined, and the outline was several times amended before a word of the Report was written. Yet, it did not entirely satisfy the writer and in the course of writing several rearrangements of the material were made. Since the impression made by any writing or speech depends upon the logic, the coherence and the simplicity of the plan, careful preparation cannot be too strongly insisted upon.

The plan should be logical. The cart before the horse places the horse in a useless and maybe very uncomfortable position. Business men as a rule think clearly and they are not lacking in the faculty sometimes described as putting two and two together. But it is sometimes claimed that they are prone to think narrowly and not broadly. It is not only an exact knowledge of detail, but a breadth of view that is necessary to plan a paper or a speech in logical manner with a nice judgment of its parts.

The plan should be coherent. The sequence of subjects should follow in a natural fashion. Otherwise the effect upon the hearer is the same as if he nodded off every now and then, but when he listened found it interesting, yet wondered how the speaker got there. The real test of any spoken effort is whether the wide-awake hearer can give an intelligible account of what was said. If he cannot do so you may be sure that what was spoken was discursive and ineffective.

The plan should be simple. It is very difficult to give continuous attention to anything. It is the temptation of speakers not only to talk too much, but to attempt to say too many things. A few points well driven will be more effective than a large number which are only mentioned. To use a homely expression it is better to have your speech resemble a table fork than a curry comb. If you feel that the subject cannot be properly presented without a consideration of many points,

it is well to group them by a few classes and emphasize the classes more than the individual points.

(b) *Constructing the Plan.*—The points of logic, coherence and simplicity are perhaps well taken, but the question arises: how shall the man of slight experience gain them? The old hand at this sort of thing will probably tell you that he does not know, that he observes these rules instinctively. But that does not help us much. Nor does it enlighten us greatly to have him quote the old saying that practice makes perfect.

The fact is the old stager has forgotten his beginnings. For those who are making their maiden efforts and for many of those of larger experience there is no aid so important as a pencil and a piece of paper. Write down on it what you want to say. Arrange it by catch phrases or by short sentences, and ponder over your list. The probabilities are that you will find a good deal of repetition. Your first task is to eliminate this, and so reduce your notes. By the time you have done this and placed things which are obviously related together you will probably need a freshly written list.

You now have before you a statement of all that you want to say. It is a good plan to write off each heading on a separate card or slip. How shall you arrange your thoughts? The thought elements bring up a series of pictures of the thing as a whole. You can now shift your cards into one arrangement or the other, until you have found that which most strongly appeals to your innate sense of what is logical, coherent and simple.

As you proceed to build along the lines you have chosen, and as you elaborate the headings you have selected, thoughts will come to you that you recognize as new. Do not be carried into digressions. Fit them into the plan, or discard them. They may be very striking thoughts but unless you can make them part and parcel of a definitely defined plan, not necessarily the one you started with, but one equally good, they are only excrescences.

(c) *Making the Plan Apparent.*—The plan is worthless no matter how closely you stick to it, if others cannot see what it is. At this point it is worth while to emphasize an important difference between what is intended to be read by others and what is intended to be heard by others. Both need a

definite plan but it needs greater emphasis in the latter case than in the former.

In a piece of reading matter, the structure is usually indicated by the physical form. Books are divided into chapters, chapters into paragraphs. The Report you are now reading has its structure clearly indicated by the outline at the front. This is again brought to your attention as you proceed in your reading by sub-heads and section heads. Within each section the development of the treatment is still further indicated by paragraphs.

When you listen to a paper at a business meeting or hear an after-dinner speaker you have none of these aids. He does not stop to announce the sub-heads or the paragraphs of what he is reading or speaking. They are most effective when they reveal themselves. The hearer must sense the structure of what goes into his ears. He must see himself how it hangs together. The transitions from one phase of the subject to another must be so sharp and clear that the hearer will realize them. It is probably only in a rather short speech that the hearer can get all of this without some help from the speaker.

When therefore a man reads a paper to an audience or delivers a prepared speech he must not only be fully conscious of the structure of his thought, but he must as he progresses bring that structure to the consciousness of his hearers. He must tactfully reveal that structure either indirectly or directly. If, for example, some one had read aloud to you the preceding section of this Report on the need of a plan, you could immediately give an account of it. You would say perhaps, "After stating the need of a skeleton or plan, the writer stated that it must be logical, coherent and simple and then elaborated each of these points." You need not see the printed page to realize that each of the last three paragraphs begins with a statement similiar in form but different in contents. This is only one of many ways of indicating the transition from one thought to another.

Before an audience you may and often must indicate this transition more boldly than on the printed page. Had the treatment in the section referred to been more extended and had it been prepared to be read to a meeting, one might use some such phrase as this: "The first phase of this subject

concerned logic, the second on which we are about to enter concerns coherence." It is by bridges such as these that you pass from one aspect to another and bring your passage clearly to the consciousness of your auditors.

The Conclusion.—If you have followed a definite plan as above indicated you will know when to stop because you will know when you are through. When you hear it said of a man that he talks well but he doesn't know when to stop, you will usually find on analysis that he does not talk well, because his talk is formless and planless.

Not knowing when to stop is one of the most conspicuous, common and inexcusable faults of public speakers. "Some speakers make an excellent impression for five or ten minutes and then begin to lose hold of their audience. Such speakers often flounder along, hoping to capture their audience again, and often keep on talking after everybody is bored to death. The speaker should sit down while he has the audience well in hand. A good five minute talk is much better than a twenty minute talk of which only the first six minutes were worth hearing."

Probably the best conclusion is that which follows the old preacher's advice of "Telling them what you have said," provided always that your summing up is brief and pithy. There are speakers who mistake the conclusion for the beginning of a new speech. This is fatal. As soon as you have said, "In conclusion," there is momentary increase of attention, but it does not last long and you must improve your golden opportunity before it flies.

Bring your remarks to a swift emphatic close, and do not spoil it by the meaningless, "I thank you."

CHARACTERISTICS

Length.—A somewhat worn and frayed anecdote may well be called again into service since, better than reams of argument, it illustrates a cardinal point. It is to the effect that a speaker began his remarks in this wise, "Before I came to the meeting I asked your Chairman what I should speak about and he replied, 'about fifteen minutes.'" In other words there is usually a pretty definite time limit set for every paper or

speech, and a man owes it to himself, his audience and his associates on the program to observe it scrupulously.

Very often the time limit is fixed by those in charge of the gathering and definitely stated. Such a statement should guide those preparing speeches or papers. But in many cases the time limit can only be inferred from circumstances. It is no less important a duty of courtesy to ascertain what it ought to be and keep well within it. Especially when there is no set time for beginning the talking, as where speeches are to be made at a public dinner, a speaker does well to have elastic limits and adapt them to circumstances. If he is the first speaker he should be careful not to absorb more than his appropriate share of the available time. If the speaking begins later than was anticipated he has the opportunity for the exercise of a fine courtesy, in curtailing his remarks and leaving adequate time for those who follow him.

If the time limits are by the rules of the meeting to be strictly enforced one only causes embarrassment to the presiding officer and oneself by overstepping them. Called to a sudden halt one's presentation is incomplete and therefore ineffective. One hesitates to ask for extra time lest the request be denied. If through the request of the audience or the indulgence of the presiding officer extra time is granted the speaker is likely to fumble, hesitate and use it ineffectively.

If time limits are not stated or being stated are not enforced, the speaker who oversteps a reasonable time incurs the enmity of at least a portion of his audience. He can be sure that there are fidgety individuals in it who are covertly looking at their watches.

The old adage that brevity is the soul of wit might be amplified by adding that it is the part of wisdom. Most speeches and papers are too long, and not always because those who make them are unwilling to exercise self-restraint but because they do not know how to do so. Some practice is needed in gauging the length of time which will be required for what one expects to say.

In preparing a paper to be read at a meeting it is a good test to read it aloud, note the time required for reading and allow double this time for reading it in public. This rule

may seem unduly cautious, but it has served well in practice. Men inexperienced in public speaking fail to realize that in a large hall they must read slowly or those in the rear will not hear. Even if one knows this it is difficult to realize it in the privacy of one's study and unconsciously one adopts a more rapid rate of reading than would be allowable in a public meeting. Another form of test can be made by ascertaining the number of words one can speak in a minute. Few men can speak more than 125 or 150 words a minute even in the most impassioned speech. For the reading of a paper 100 words a minute would probably be the highest figure which it would be safe to allow.

Estimating the length of a speech is a somewhat more complicated matter. Unless the speech is written out and the thought, if not the words, is memorized, it is always well to go over the matter in private preferably aloud. Allowance for the fact that one will probably speak more deliberately in public will be offset by the fact that before an audience one cannot hesitate, nor can he go back to improve an utterance once made. On the other hand when he gets upon his feet new matters will be suggested to the speaker by the time and circumstances and what has been said before. In preparing his speech he should make due allowance for this and give himself some leeway.

The more a man has to say and the shorter the time allowed him in which to say it, the greater is the need for careful preparation. Under such circumstances a man should know before he gets up what he wants to say not only in a general way but in detail also. He must stick rigorously to his preconceived plan or he will go beyond the time limit. It is not the place for after thoughts, however striking. They delay the action and lead to surpassing limits or injuring essential parts of his proposed remarks.

The Pronoun I.—In the advice given to those who write and speak there is frequently a great deal of prudery about the use of the pronoun I. If you would believe these counselors, the man who utterly submerges his personality when he addresses the public either through print or through word of mouth is entitled to a crown of glory, while he who uses the first person singular however modestly commits a heinous sin. Surely the case is not so bad as this. No rule of diction can be absolute.

Circumstances must guide discretion here as elsewhere.

The letter I is more offensive to the eye than to the ear. It must be used, if at all, with extreme caution in anything which the public is expected to read. The reading public does not visualize the writer. It has little personal interest in him; it is concerned only with what he has to say. It is proper then for a written production to be impersonal, and this rule will apply as well to a paper read to an audience. Not only is it frequently destined to be printed, but the author has by the act of reading placed something foreign, the manuscript, between the audience and his personality.

On the other hand, when a speaker faces an audience and talks to them, his personality plays an important part. It is there for all to see and is not hidden under a bushel. It would be a mistake not to recognize this fact. He has as a consequence a much greater liberty in using the personal pronoun and the personal elements in speech.

When a business man speaks upon a business topic before a business audience, what the audience wants especially to hear are conclusions drawn from experience. They welcome anecdotes and illustrations that have a personal bearing. The speaker has a right to assume that the invitation to speak was given because he personally had knowledge or experience which would throw light upon the subject. A wise man, and most business men are wise men, will of course avoid any display of egotism which always displeases one's auditors. But he should free himself from the notion that any mention of the pronoun I is an offense against good taste.

Quotations.—Whatever may be said of the advantage or disadvantage of using quotations from other authors in printed matter, these are awkward to handle in papers which are read to an audience. They are written often in a different style, they are not the reader's own words, and hence he is likely to read them indifferently. Because they are interpolated matter he finds it difficult to resist the temptation to read them more rapidly and less distinctly than his own matter. He himself is perhaps very familiar with the quotation; it is perhaps the starting point of his argument. But the audience which merely hears it does not get it with the force that is necessary to the argument, especially if it is read quickly. For these reasons

direct quotation is inadvisable. A paraphrase of what another author has said is preferable if a statement of this author's position is deemed necessary to the presentation. Such a paraphrase partakes more of the nature of argument, and that is what an audience wants to hear. It is always important to remember the fundamental difference between a production which is intended to be read and one that is intended to be heard, and to guide oneself accordingly.

In a speech or address there is little temptation to introduce long quotations, but short, pithy ones are more frequently used. An occasional reference to the more familiar classics of literature may serve a useful purpose, but it is very easy to be pedantic and make a display of erudition that is ridiculous. In a business man's speech upon business, quotations have little place. The hearers are more interested in what the speaker has to say on the topic in hand than what Shakespeare said about something else. On the other hand, they are keenly interested to know what other men of business who are known to them have said. But they like this information, if possible, to come to them direct as a result of conversation with the speaker, rather than as a quotation from what the speaker has read.

Diction.—Apart from such modifications as may grow out of the fact that certain things are intended to be read and others are intended to be heard, the usual rules of diction concern speeches and papers as well as other compositions. What they are any good text-book on rhetoric will disclose. What the text-books rarely tell is how these rules should be modified for spoken utterance. Thus the rhetoric will tell you to avoid short, choppy sentences and long involved ones, and that you should choose a golden mean between them. The advice is excellent but it is well to remember that in spoken words the balance of choice always inclines to the shorter rather than the longer sentence.

The reason is not far to seek. It is fundamental. It is that the eye can take in much more at a glance and carry the thought longer than can the ear. Long and involved sentences are very obnoxious. They require a greater effort of attention from the hearer than can be reasonably expected. Hence in preparing a speech or paper one must shun long sentences and

cultivate short ones. One must always remember that a reader can see, but that a hearer cannot hear the punctuation which marks the structure of the thought expressed. The hearer expects the speech to be direct and forceful and hence the points should be hammered out in short, crisp sentences.

The only advice which one can give a speaker is "Be yourself, be natural; talk to an audience as you would to your intimates." Most business men have no difficulty in expressing themselves in their own offices in familiar surroundings. Just remember that when you get up to speak before an audience you are just the same as before. You cannot change yourself over night to meet a new environment. Do not try to assume any new character unless you need more self-confidence. Talk in your own fashion, and you will find that the necessity of filling a hall with your voice will of itself mold your words into a somewhat more oratorical form than you require in the office. But let this work itself out naturally. Do not try to force it or you will fall into exaggeration and bombast.

Perhaps a word should be said about wit and humor. These are a pleasing addition to any public address no matter what the subject if the speaker is by nature and disposition witty or humorous. If you are not in the habit of telling funny stories in your daily speech and conversation do not attempt to do so on the platform. You are likely to spoil the story and the speech at the same time. Do not tell a funny story merely for the purpose of raising a laugh. You do not want people to go away from the meeting merely with the remembrance of an anecdote of which they say that you managed in some fashion to drag it in. Much better that they should remember the story because it illustrates or reinforces the point you are seeking to make.

READING A PAPER

Requirements of Reading in Public.—A good general rule in reading a paper before an audience is to read to the audience and not to yourself. If you follow this rule you will raise your voice so that the man on the back row will hear just as readily as the man on the front seat. If he cannot hear, he is likely to talk to his neighbor and set up a counter current of sound that will drown the speaker's voice for all except those

who are immediately in the front of the hall. It is, of course, bad manners for the people in the rear to talk, but they are often led into it by the negligence of the speaker.

If you raise your voice so that you can be heard you will find yourself speaking more slowly than you are accustomed to do. This is necessary in order that your words may not only reach the rear of the hall but that they should reach that point without being jumbled.

The essentials of reading in public are, then, clear and distinct enunciation, a certain deliberateness of speech, and a sufficient volume of sound.

The Manuscript.—In reading a paper a cause of frequent embarrassment is losing one's place. This can be prevented to a large extent if the manuscript is prepared in a suitable way. In the days when parsons read their sermons you could buy at certain stationery stores sermon paper with the lines printed considerably wider than those used, for example, on ordinary foolscap. This affords a suggestion for those who use type-written manuscripts. It is well when papers are to be read in public to avoid the small elite type so much favored for correspondence purposes and to have the paper prepared in the larger commercial type. It is also advantageous to insist upon triple spacing instead of the usual double spacing. These are aids which will greatly facilitate the reading of the paper.

There is also a certain knack in handling the manuscript. When the manuscript lies before the reader on a reading desk it is unwise, after reading the sheet, to lay it aside as is frequently done and pile other sheets on it as the reading progresses. If this is done, the audience will exhibit an undue curiosity in the growth of one pile and the diminution of the other. A much better way is to slip the sheet which has been read under the pile. If the reader desires more freedom than he could have with the paper before him at a desk, he will prefer to hold his manuscript in his hand. For this purpose the ordinary large sheet is oftentimes inconvenient, and speakers find that they can handle a manuscript much more easily when it is prepared on paper of note size.

Theodore Roosevelt often read his speeches from a manuscript of this note size and he had a habit, after reading it, of throwing the sheet over his shoulder to the platform. This

might be very well for a Roosevelt but it is not to be recommended for a lesser speaker. It is a good general rule which runs through all of these remarks to avoid anything which attracts notice to the manuscript and thereby diminishes the attention which is given to the speaker.

Introducing Maps, Charts or Tables.—Quite frequently a paper upon a serious subject requires maps, drawings, charts, or statistical tables, for the proper presentation of the subject. The best way of introducing them is always a puzzle. If they are hung upon the wall before the meeting begins, they distract attention from what is being said. If they are printed in smaller form and placed upon the chairs they have the same distracting effect. If the speaker reserves these printed sheets till he begins to talk, and has them distributed by ushers at what he deems the appropriate place in his discourse this always creates some confusion.

One speaker who has had considerable experience in the use of charts has solved these difficulties in a very happy manner. He has them prepared on large sheets of paper. The top one is blank and the charts are arranged in the order in which they are to be used and fastened together at the top. They stand on the platform on a specially constructed stand, but the audience sees nothing but a blank piece of paper. When the speaker reaches the first chart he whips the cover over the top of the stand. The chart is now revealed and is before the eyes of the people as long as the speaker wishes to talk about it and no longer, for then he whips this over the top and the second chart is on view. It is not necessary to point out the advantages of this procedure: only one chart is on view, and that at the time it is wanted. It can never become a distracting element, because it is seen neither before it is wanted, nor after it is wanted.

It is well to note that showing and explaining charts takes time, and unless this is allowed for when preparing the paper, the speaker can very readily overstep his time limit before he reaches the end of his paper.

DELIVERING A SPEECH

Making a Start.—The reading of a paper is a comparatively tame performance; the delivering of a speech is a fight with

giants in which the speaker is often worsted. Nervousness, hesitation, awkwardness are the foes he must encounter and sometimes they inspire him with a terror that leaves him tongue-tied. Perhaps they are never wholly vanquished even by the most experienced speakers. Few men are so sure of themselves that they will not confess to a momentary feeling of dismay before they are called upon to speak. They make a brave show of indifference and unconcern when they are being introduced, but for the time being they generally wish that some one else might be in their shoes.

There is only one way in which nervousness and hesitation can be, for the most part, overcome, and that is thorough preparation, preparation which concerns the thought and to some extent the words to be used. As it is the first plunge that is most disconcerting many a speaker who would not dream of memorizing the whole of his speech carefully prepares the first two or three sentences. Once launched on his speech it is easy going, but it is most important to secure the right start.

Memorizing.—It is not to be inferred from what has been said that if memorizing the introduction is good, memorizing the whole speech must be better. Nothing could, in fact, be worse than such a course for a speech of any length. The man who ties himself down to one definite set of words is hopelessly embarrassed when the string breaks or slips from his finger. Very often he reaches a state of panic as he searches vainly for the thread of his remarks. But suppose that nothing happens. Yet the fear of disaster haunts him, and no matter how faithfully he may have learned his lines, there is likely to be something stiff and formal in the way he delivers them. The charm of a speech lies in its directness. You cannot be direct if you have consciously put up a form of words between yourself and your hearers.

The only condition under which memorizing or something closely kin to it is justified is for a short speech with a very definite time limit. Because there is such great provocation to exceed the allotted time, one will do well to prepare such a speech most carefully. It is not enough to know what one wants to say, one must know how he wants to say it.

Writing Out the Speech.—If memorizing is not to be commended that is by no means equivalent to saying that no thought

must be given in advance to the form of the speech. A man who wishes to be an effective speaker must make the most thorough preparation, be full of his subject, know exactly the points he wants to make and have them firmly fixed in his memory.

If a man has not had much practice in public speaking, he will often save himself from embarrassment, if not from failure, if he writes out his address or dictates it to a stenographer, taking plenty of time and choosing his phrases carefully. Then he should read his speech over several times, but he should not commit the words to memory or try to deliver the address as written. If a man makes preparation of this sort and has clearly in mind the points he wishes to make, he will make a good "extemporaneous" speech. No really good so-called extemporaneous speech is ever made unless some such preparation has been made in advance.

A man who is prepared will be able to "talk" to his audience and not have the manner of one delivering a set speech, and his audience will be much more interested and impressed than if he reads his address or recites it from memory. Furthermore, during his talk he will use some of the choicest phrases which he carefully thought out while writing or dictating the address.

After a man has had much practice talking to an audience, he will be able to make the necessary preparation very quickly. If he knows the subject he is to talk about, his mind almost instantly decides upon the order of its presentation and when he is on his feet his brain flashes the right words to his tongue just as they are wanted. He is like an experienced chauffeur at the wheel of a car whose eight cylinders are all in tune.

Rehearsing the Speech.—There are many men who find it difficult to express themselves fluently and easily in written form. The act of writing is more or less irksome and they are not quite at their ease when engaged in it. Such men will find greater profit in rehearsing the speech in advance. It is said of Henry Clay that he never made a speech in the Senate unless he had rehearsed it three or four times in the privacy of his room and in front of a mirror so that he could train himself in not only speech but in gesture. One who follows this illustrious example will do well to visualize the audience as far as

possible and school himself to continuous speech. He should not go back over what he has said in order to improve it and if he finds himself hesitating he should feel the presence of the audience just as if it was actually there and go right on with his speech as best he may. When he has done this two or three times he will find that he makes no halts or breaks. For every situation he will have created a series of expressions and images, some of which will naturally occur to his mind when he is on the platform.

One might say that it requires an imagination beyond the power of many people to see an audience before him under these conditions. Therefore, many men adopt in the preparation of their speeches the procedure known in theatrical circles as "Trying it on the dog." It is a great help to talk the matter over with a friend and to tell the friend what you want to say, not only for the sake of his criticism but for the sake of training yourself in formulating the subject in detail. Mr. William B. Allison, a prominent member of the Senate for a long period of years, never wrote a speech in his life. Whenever he had a speech to prepare on a topic of importance he spent two or three days in advance making the speech in paragraphs and as a whole to his secretary as sole auditor and critic. In this way he never lacked for words which had been carefully considered and duly weighed.

Aids to Memory.—No matter how well the speech has been prepared the speaker will feel an additional sense of security if he knows that tucked away in his vest pocket there is a brief outline of what he wants to say. There is a familiar tradition that many a speaker writes on his cuff the few points which he would consult from time to time. This is a useless increase of laundry bills and makes an awkward form which deceives nobody. When you consult your notes you might as well do it openly, but let them be notes. Do not, after you have started the speech, apparently extemporaneously, take a manuscript out of your pocket and read the remainder. Let the audience, by your actions, know that you are merely refreshing your memory. If the nature of the subject requires a reference to facts, figures and dates, it is much better to have them on a slip of paper and read them when the time comes than to try to remember them. Obviously, when such a slip of paper is neces-

sary it may contain other useful reminders and the audience will be none the wiser.

Concluding the Speech.—Important as it is to start right, it is equally desirable to end effectively. It is not advisable to rely upon the impressions of the minute for the peroration or conclusion. If you want to bring your remarks to an effective conclusion, you must know in advance just how you are going to do it. No matter what degree of preparation you may have given to the body of the speech, as to its form, it is always well to have the conclusion most carefully thought out and the concluding sentence at least memorized before you begin.

Delivery.—The first thing that a speaker should bear in mind is the fact that he is not a child to be seen and not heard, but rather to be heard and not seen. His first duty is to speak in a tone sufficiently loud, distinct, and deliberate to be heard by every one in his audience. Whether or not his appearance is pleasing or graceful he may well leave to nature. Let him concern himself in the delivery of his message and give no thought to how he appears.

Most people find it difficult to talk to groups, and they are very apt unconsciously to single out some individual of the group to whom they speak directly. If this is done do not choose a man in the front row, select some one in the middle of the audience, and unless you are sure that your voice fills the hall select some one in the rear and you will be able to tell from his expression whether your words are being heard and making some impression. Of course, to follow this rule too literally would give the speaker a fixity of gaze that is undesirable. He should allow his eye to wander from time to time over the audience. In a large hall he should face directly first one side and then the other, but his selected auditor will always be the focal point to which his attention will be directed.

Gestures.—Although gestures may under certain circumstances add to the effectiveness of a speech the business man will do well to avoid studied gesture. Leave that to the professional orator. A man who is thoroughly imbued with his subject will not stand before an audience like a stick or stone. Involuntarily he will make gestures, but he should not try to force them. Only those which come unbidden will be natural and effective.

SPECIAL OCCASIONS

The Chairman.—Any gathering when speaking is to be done requires leadership. Some one must set the ball in motion and keep it rolling. This is the task of the chairman. The chairman will fill his duties best when he realizes that many persons in the audience regard him as a necessary evil. He is usually chosen for his task because he is a hardened speaker, and there can be no harm in striving to imbue him with a little humility. It is quite important that he should understand that his main function is to sit on the platform, not to stand upon it. Some men do not understand this, and leave the chair vacant when it should be filled. It is well to remind them that when they are on their feet they are not occupying the chair.

The chairman's duty is to call the meeting to order and announce the speakers. Custom gives him a little greater latitude than the train caller in a railroad station, but if he would be popular he must not cut too wide a swath. It is usually his duty before announcing the first speaker to state the purpose of the meeting, why it has been called together, and to dwell upon the importance, timeliness, and interest of the subjects to be discussed. Perhaps one might say that he can not take this task too seriously, but he certainly can take it too voluminously. No wet blanket is quite so moist as a long-winded and tiresome introduction.

Any general remarks which the chairman has to make should be given before he introduces the first speaker. His introduction of the second and subsequent speakers should be very brief and to the point. He is not expected, to comment upon what has been said and interpolate a speech of his own before he gives each of the regular speakers a chance.

When the set speeches are over and general discussion is called for, the chairman can with propriety exercise a considerable influence on the course of the discussion, though it is hardly wise for him to intervene in it except by suggestion. It is, however, frequently his duty to give a summing up and this is an excellent feature if it is done briefly.

The Toastmaster.—There is a difference in atmosphere rather than in function between a chairman and a toastmaster. The latter is the ringmaster of a circus and it is his duty to

keep up the spirit of jollification and good cheer. His introductions of the successive speakers are by common consent a little longer than is customary in a formal meeting. One can't always be funny but here is a situation in which it is proper to pray that one may be as funny as one can. Whether the individual speakers live up to our expectations or not, the toastmaster is a personage to be heard as well as seen.

No one can give a rule that will make a dull man clever or a literal man funny, but one rule will help the toastmaster. It is to regard your various introductions not as so many separate speeches or stunts but as parts of one speech. Establish at the start some central idea and ring the changes upon it as each man is to be brought forward.

The toastmaster at a dinner should be a man of natural humor and of great common sense. If he possesses these two qualifications, his introductions of speakers will be brief and without undue exaggeration. The model toastmaster is one who makes the speakers feel comfortable, who talks rather than orates, and who performs all his duties so tactfully that the audience forgets him absolutely the moment the next speaker is on his feet.

The After-Dinner Speaker.—The first essential of a good after-dinner speech is that it leave the hearers in a cheerful state of mind. An after-dinner speaker should not read a heavy disquisition. Indeed, he should not read at all if he wishes to make the best impression.

His topic may be one that calls for some serious sentences—one that he cannot properly discuss without making his hearers do some thinking. Yet his entire talk must not be expository, instructive or argumentative. Let him trifle a bit in the beginning and perhaps consign the toastmaster to a very warm place for having asked him to speak on such a very heavy subject. If he has a pet story that will raise a laugh, let him tell it after he has been talking two or three minutes, and let him bear in mind that the story will be most appreciated if the joke in it is at the toastmaster's expense.

Having got the audience into a smiling mood, then let him train his heavy batteries on the crowd and rapidly, impressively, for three or four minutes, bomb the audience with the serious thought or thoughts he wishes to leave in their minds. In the

midst of this rapid fire of his heavy artillery, he may suddenly interject another story, illustrating the point he has just made or the one he is about to make. But if he has only one pet story available, he had better save it until after the serious work is over and then spring it on the audience, so that he may sit down amid laughter and applause.

The after-dinner speaker must remember that "the soul of wit is brevity" and that its essence lies in contrasts.

A Final Word.—As we all know, in matters of conduct and action to do and to know are two very different things. Some do without knowing but the majority know without doing.

A certain man was once asked about his church connection. He replied, "You know I have always been a church-goer though I have never tied up with any particular church. I like to sample them all. Recently I have been attending the Episcopal church and I notice they say at every service, 'We have left undone those things that we ought to have done and have done those things that we ought not to have done,' and that fits my case so exactly that I have concluded I must be an Episcopalian."

Judged by our performance many of us belong in the same class. All that we can hope is to be judged by the charitable according to our intention. If it should be contended that the writer of this Report had failed to follow his own maxims in any respect he will not plead the difference between written matter and spoken matter which has been insisted upon, but rather appeal to the mercy of the reader. He would point to the evidences of his intentions. Throughout the Report runs a definite plan, with appropriate subdivisions to which he has sought to adhere. He has advised through preparation, logical arrangement, adherence to time limits, reduction to the minimum of those parts of the speech which delay action, directness of speech and naturalness of manner. If at the end he has seemed to drag in irrelevant matter about special occasions, it has been because he has chosen to enforce by illustration rather than precept a cardinal and final point, that whatever else a speech may be it should be appropriate, to the speaker, to the subject, and to the occasion.

ADDRESSES—
BUSINESS AND INDUSTRY

WILLIAM WALLACE ATTERBURY

THE PUBLIC CAN SECURE THE RAILROAD SERVICE IT WANTS

[William Wallace Atterbury has been since 1912 Vice President of the Pennsylvania R. R. in charge of operations. He was born in New Albany, Ind., in 1866, graduated from Yale in 1886 and began his connection with the Pennsylvania R. R. as apprentice in the Altoona shops immediately after his graduation from college. He served as road foreman, assistant engineer and master mechanic before his promotion to the general management of the great railway system. During the War Mr. Atterbury had charge of the construction and operation of the United States Military Railways in France and was commissioned Brigadier General U. S. A. and received the Distinguished Service Medal as well as decorations from England and France.

For many years the railroads have been a subject of public debate and discussion in this country. That debate is by no means finished, although it has perhaps reached a climax in the years since the great War. Mr. Atterbury has taken prominent part in this debate, and no one is better qualified to speak from the point of view of the railroad executives.

This address was delivered before the eleventh annual convention of the National Retail Drygoods Association held at the Hotel Pennsylvania, New York City, on February 10, 1922.]

OUR railroads are so intimately a part of the social and economic life of every citizen of our great Commonwealth, that I welcome the opportunity of talking to an Organization which through its ramifications can carry a message to every point in our broad land.

I want first to impress upon you that my problem as a railroad officer is also your problem. You are vitally interested personally in efficient and economic railroad service. You must largely travel and you must in the main transport your goods by railroads.

You are vitally interested in the financial soundness of the railroads: directly, if you own railroad stocks or bonds; or if not, then indirectly, through your life insurance, fire insurance,

savings banks and mutual protective associations, because the large proportion of their assets is railroad securities. You should not overlook this personal interest.

Ordinarily the average business man thinks very little if at all about the railroads until something happens that causes him inconvenience, or loss, or delay. He accepts the routine of railroad service as a matter of right and custom. As a fundamental proposition he wants uninterrupted adequate service at a reasonable price.

It is usually, however, only when that fundamental need stares him in the face—as it is bound to do when business gets a good start on the upgrade—that he takes an interest. Then he becomes insistent about what he wants, and scatters his condemnation about promiscuously enough, but generally it is centered upon railroad management.

The railroads are to-day suffering from exactly the same causes that are affecting all other lines of industry.

Through the destruction brought about by the war and its aftermath, the purchasing and consuming power of the world as a whole, which is so essential in our prosperity, has been crippled at a time when our own production capacity has overrun our own consuming capacity.

There can be no hope for the return of real prosperity until the world in general finds political and industrial peace, and the general interchange of commodities between the great countries of the world is resumed.

Our effort to-day, therefore, in the transportation world, as in the industrial world, should be that when that time comes we shall be prepared to meet the most extreme competition of the outside world.

Before the war at least 10 per cent. of our population was directly dependent upon and supported by our export trade. In order to use the capacity of our industrial plants and to give full employment to our workers, we must make every effort to hold our own in the markets of the world. That is possible only if the cost of production can be brought into line with existing conditions.

To that end the prerequisites are that waste and extravagance be eliminated, the cost of production brought down, and both Capital and Labor recognize the need of adjusting their re-

spective compensations to the competitive conditions which the country will have to meet.

All of us will be better off by getting away as soon as possible from the artificial plane which has been of genuine benefit to no one and has done great harm to a large portion of our population.

Into the cost of production of everything, transportation charges necessarily must enter, and transportation must do its share of deflation.

A study of readjustment processes indicates that the price of every commodity has been heavily reduced; transportation, coal and the building trades are the outstanding exceptions.

It may be of interest to this Association that the Bureau of Labor Statistics, U. S. Department of Labor, gives as the index figure for the cost of clothing in December, 1921, approximately 185, as compared with 100 in 1913—the cost of living as a whole is 174—while railroad wages, using figures compiled by the Interstate Commerce Commission, upon the same basis, will probably show for the end of the year 1921, when the statistics have been entirely compiled, 205.

Freight rates, which are such a large factor in our business life, have been measurably adjusted, but still remain at too high a level. Manifestly there can be no return to normal business conditions until the price of transportation bears a proper relation to commodity values.

The business of this country has been developed on the wide distribution of commodities, encouraged by freight rates that bore a proper relation to the prices of the commodities, and as these prices fall, so should rates be adjusted.

Demands for a reduction in rates are now becoming almost universal. The railroads are accused of hiding behind the two provisions of the law—one creating the U. S. Railroad Labor Board which has jurisdiction over wages, and the other directing that rates shall be so made as to bring a certain net return—and that our railroad executives prefer rather to operate under false economic conditions and pass the cost on to the public than to stand on their own feet and battle without Government protection for a return to normal conditions.

A general reduction in freight rates will not of itself restore business to normalcy, nor can a general reduction be demanded

of the carriers in the present condition of their revenues. At the same time, it is beyond question that there are situations where reductions might be made.

The railroad companies are not interested in maintaining rates under which traffic cannot move, and have made many reductions for the purpose of stimulating traffic.

The railroads are vitally interested in an early return to a proper ratio between commodity values and costs of transportation. In fact, if the present condition of high rates long continues, many industries will be re-located at points nearer consumption, the railroads losing traffic, and the industries their investment.

Unfortunately for the railroads, in addition to the world-wide causes, they are suffering to-day from a cause which has not affected industry in general. Industry has been permitted to sell its product at a price which covered not only the cost of production sufficient to pay in most cases handsome dividends, but also to permit of the accumulation of a surplus. This surplus permits the ordinary industry to deflate and still remain solvent.

The railroads, however, for years have not been in a position to fix the selling price of what they manufacture, and gradually through regulation and legislation, have now lost control of a large measure of their cost of production. As matters stand to-day, 90 per cent. of the income of the railroads and 75 per cent. of their outlay are governmentally administered.

As a result, the railroads to-day have practically no surplus other than that invested in their property, upon which to bear the cost of the necessary deflation in rates that should go along concurrently with the deflation in the prices of commodities.

Wages, which form between 50 per cent. and 60 per cent. of their present expenses, have already been slightly reduced, and that saving has largely been passed on to the public. We are now before the United States Railroad Labor Board requesting them to authorize a still further reduction in wages; one which will correspond to the reduction in the index number of the cost of living and to the wages paid in other industries. The railroads have agreed to pass the pending wage reduction on to the public in full.

Another source of expense that should be largely wiped out

is that following the result of regulatory and restrictive legislation.

The Interstate Commerce Act, approved February 4, 1887, has been continually amended, each amendment bringing with it more and more restraint, and leaving to railroad managers less and less initiative.

Coincident with these amendments came state legislation creating the Public Utilities Commissions, designed to do in a small way what the Interstate Commerce Commission was doing in a large way. Always there was growing the ever-swell-ing stream of legislation of a restrictive character, some fanat-ical, some political and some utterly selfish, but all tending to increase the cost of operation and lessen the initiative of the management.

There came a veritable avalanche of regularity legislation:—Safety Appliance Acts, Hours of Service Act, Employers' Li-ability Act, Ashpan Act, Clayton Anti-Trust Act, Headlights, Fire Doors, Transportation of Explosives, Adamson Act, Rail-way Mail Service, Full Crew Laws, Bills of Lading, Boiler Inspection,—and so on—some good, the majority bad, but all working to take away from the management actual control of the operation of the property.

Now let's see how you have profited by "regulation."

Note for example the following increases in transportation rates between unvarying points since 1914: [The speaker quoted rates on various commodities showing increases averag-ing over 100 per cent. For example, the rate per hundred pounds on shoes from St. Louis to New York had increased from 87½ c. to \$1.84½.]

Now, let's see the effect of "regulation" on the owners of the property.

The average value of the stock of the Pennsylvania Railroad, high and low, for 1900-01-02, was 74. To-day it is 34.

The operating ratio average for these three years was 65.5. For 1920 the operating ratio was 105.2—for 1921, 86.

During that period the Pennsylvania Railroad earned as net income per dollar of capital stock approximately 12 per cent., half of which was paid out in dividends at 6 per cent., and the other half put right back into the property. In those days the slogan was "A Dollar for Dividends, and a Dollar for Im-

provements." For the year 1920, after paying the same rate of dividend, there was but six-tenths of one per cent. put back into the property, while for 1921 not only was no money from surplus put back into the property, but we barely earned the 4 per cent. dividend that was paid.

After twenty years of regulation, the public finds itself compelled to pay a one hundred per cent. increase in freight rates; railroad efficiency by virtue of the same influence has been reduced, and railroad securities under pressure of decreased earnings are forced down to such unprecedented levels that managements are unable to obtain aid through the usual channels of popular finance.

From this it is quite evident that neither the owners of the property, nor you the users, can be, nor should be satisfied with railroad transportation as it exists to-day.

You, the public, who have assumed the functions of the management through your legislative and regulatory bodies, are responsible, nor can you evade your responsibility. Cassatt, Hill, Harriman, and the others, all prophesied what would happen. Nineteen seventeen was but the culmination of twenty years of starvation and regulation. Then you tried "Government Ownership," and then for a few months you tried, through "Government Control," to let the employees run the railroads through their labor organizations.

Government control, to the extent which regulation has brought it, is a failure. It will never be a success. It squeezes out individual initiative and opportunity, individual rewards and punishments; nobody has a free hand, no individual is responsible. It decides economic questions politically.

Nothing can take the place of individual initiative, ability and responsibility. We are trying to keep them in railroad-ing while introducing the profit-limiting, opportunity-limiting, initiative-limiting political control which automatically drives them out. The experiment is a failure. It will continue a failure. Under it the railroads can neither attract the private ability nor the private capital that they ought to have.

The railroad problem is to-day more political than economic. Government interference has dried up the sources from which railroad management built its colossal structure. Investment capital is always shy of political control.

What latitude this leaves for efficient administration is patent to even the average citizen. You know from your own experience the ill effects of Government Control on business in general, and the same causes which adversely affect business also hurt the railroads—the arteries of trade.

With control of their expenditures in their own hands, subject only to economic laws, the railroad business ought to be permitted to readjust itself as other business must do and is doing.

You must, of course, supervise your common carriers in the interest of the public that they may not deal unfairly with you, and you must also, so far as is reasonable and possible, see to it that your policy toward them is liberal enough so that they may not be deprived of the ability to make a living—this that they may continue to function and give the public the transportation service it must have; but you must not think you can continue the policy of private ownership and at the same time regulate every railroad method and operation and still expect them to continue to show enterprise and initiative. Too much protection and too much regulation are disastrous.

Railroad rates and fares should be designed to yield the Railroad Companies aggregate revenues which will provide (after allotment has been made for Renewals and Depreciation) such net return upon a fair value (determined by public authority) of the property devoted to the public use as will be sufficient in amount to enable the carriers to obtain at reasonable cost the capital required to furnish the public with adequate facilities and efficient and economical service.

The power to initiate rates should be with the carriers, and no body, national or state, should have the right or power of suspension.

There is no thought to relieve any of the regulatory bodies of the responsibility which they have to fix penalties for unjust discrimination or improper practices, or the power eventually to decide as to the reasonableness of a rate.

The police powers should be such as would permit the punishment of the railroads when guilty of wrong, in common with all other business.

This so-called railroad problem will always be with us unless the public and especially the business men of the

country insist upon a course of action that is constructive on the part of the government toward the railroads, and then coöperate with the railroads themselves in making it effective.

You are confronted almost daily in your newspaper with misinformation about past and present railroad happenings disseminated by persons and organizations that have absolutely no interest in railroad progress or the kind of service the public is entitled to.

What is the purpose of such mis-statements? Is it to make railroad service any better, any cheaper, any more adequate?

Apply the acid test of common sense to things that are being said about our transportation system and the men who operate it. It is to your interest to know not only what is said about them, but why, and for what purpose.

I know of no surer way of making present-day railroad regulation what it ought to be than for the public to fully understand what is going on in the railroad business.

Railroads are only regulated because you want them so regulated or because you have failed to express exactly what you do want. Your representatives in Congress legislate and your public regulatory bodies act as they believe their constituents demand. Under our system of public regulation, you men cannot escape responsibility.

In my judgment, the solution is a simple one but it requires your whole-hearted coöperation, and that of every other citizen.

1. Enable the railroads to get on their feet financially, to restore their credit and bring their properties up to a state of development sufficient to meet the growing needs of the country.

2. Permit the railroad officers to run their railroad business without being manacled by a mass of restrictive and unnecessary regulation.

3. Back up the railroad officers in their efforts to cut down the cost of transportation, and make the service responsive to the business needs of the country.

LEO HENDRIK BAEKELAND

THE ENGINEER

[Mr. Baekeland's career is a notable example of the union of science and business. He was born at Ghent, Belgium, in 1863 and received degrees of B.S. and Sc.D. at the University of Ghent. When he came to this country in 1889 he was already a distinguished chemist. For thirty years he has been one of the most prominent American inventors and chemical engineers. He invented the Velox paper which he sold to the Eastman Kodak Co. He is also the inventor of Bakelite and President of the General Bakelite Co. He has been a member of the Naval Consulting Board since 1915 and was actively concerned in the researches relating to the manufacture of high explosives during the War. He has received many medals and other awards for his scientific services and was a member of many learned and professional societies. He is Honorary Professor of Engineering in Columbia University. This address was delivered at the joint meeting of the American Chemical Society and the Society of Chemical Industry (of Great Britain) New York, September, 1921.]

THE forces of nature are the most enduring wealth of mankind. To know their laws and to learn how to apply them has made of a puny little being of about 130 to 200 pounds of flesh and bone—three-fourths of which is merely water—a giant of which Gulliver's tales have no equal; and compared to which the largest and most muscular animals of present or former geological periods are merely drowsy, clumsy creatures. All this has been accomplished by his few grams of better brain-matter, which permitted him to gather scientific knowledge and thus to wield powers akin to those attributed to some of the gods of antiquity.

But the forces of nature, in wrong hands, can be diverted from their very highest purposes into the basest demoniacal utilization.

During the late war, one of the nations reputed for its scientific knowledge, staggered history by the wholesale, unscrupulous utilization of science and engineering in attempting to extend and perpetuate an anachronistic and domineering

system of government. The other nations, in trying to withstand this onslaught upon right and decency, were in their turn compelled to enlist the talent of scientists and engineers alongside the efforts of soldiers and sailors.

And now, thank God, we chemists can turn again to the sphere of action where we truly belong. We can try anew to become apostles of construction instead of destruction; soldiers of progress, of peace and happiness.

Unfortunately, this does not mean to say that *all* which *all* chemists accomplish is *always* dictated by such lofty motives; no more than literature, or art, or religion is never debased by low aims.

Whatever else this war has brought forth, it has at last taught the ignorant multitude that, in our modern complex civilization, chemists are as indispensable as engineers, notwithstanding the fact that the lawyer-politician still holds the floor.

Nor should the public be blamed too much. The work and purposes of the chemist are not easy to understand for the average man or woman, too often devoid of even rudimentary scientific knowledge, although in some cases they are the bearers of a college degree earned by a one-sided exclusively literary education.

What appears even less obvious, even to the better informed classes, is the relation of the chemist to the chemical engineer. It is less known that a man may be a scientific star of the first magnitude and yet be incapable of utilizing his science in the industries, or of applying it in the many other ramifications of the economics of our civilization—not to speak of the recent applications of science in war. It does not seem obvious to many that there is the same difference as between a good grammarian or philologist and a successful writer, be the latter a novelist, an essayist, a journalist or a playwright; that a learned botanist will not necessarily make a successful farmer, no more than a mathematician will surely prove a good accountant, nor a good accountant an able business man, nor a philosopher a successful statesman.

After a geologist has revealed and surveyed a body of ore in the mountain, the mining engineer and the metallurgist know very well that this does not necessarily mean a paying mine, or a successful smelting works.

So it is in chemistry. The experience of many a scientist has been confined exclusively to laboratory work, or to purely chemical subjects. This is frequently the reason of his weakness in dealing with practical matters, when he is inclined to concentrate his point of view too much on only a part of the subject with which he is confronted. He is apt to neglect other considerations which although seemingly unimposing from a scientific standpoint, frequently carry with them the very elements of success or failure in practical applications.

When, during the war, the problem came up to start the manufacture of optical glass for gunsights and other instruments used in our army or navy, it was easy enough to take care of the chemical side of this subject after raw materials of sufficient purity had been obtained and as long as the glass was produced merely in quantities of a few ounces where the mass could readily be melted in platinum crucibles. But when it came to produce tons of homogeneous optical glass for real wholesale use, then the most tantalizing problem resided in the proper construction and handling of large clay crucibles; this for the simple fact that the molten glass dissolved the clay of the pots and got spoiled by taking up impurities, in the same way as water would dissolve a container made of sugar or of dried mud.

Many a chemical reaction brilliantly successful in the laboratory as long as the operation could be limited to small quantities and carried out in glass, porcelain or platinum vessels, has been doomed to failure when attempts were made to run it on a permanent commercial scale. It needs quite some experience and a good deal of common sense to know when it is cheaper simply to burn up sawdust waste instead of trying to distill it or convert it into paper pulp, and to know when it is cheaper, for this purpose, to buy expensive wood in the shape of clear logs. It requires quite an effort of good judgment to know when it is less ruinous to burn waste flax straw from our linseed fields than to try to spin or weave it; to know when it is less injurious to one's bank account to leave natural soda and potash salts in lake water instead of obtaining them by the usual processes. That Boston clergyman of about twenty years ago may have had correct chemical information when he started that company for extracting the limitless tons of gold

naturally contained in sea water, but if he had been just a little of a chemical engineer, he might readily have concluded that it was cheaper to leave all that gold in the ocean than to try to extract it by methods which cost more than the value of the gold.

Then again, there are cases where even the best of chemists committed errors of judgment and failed to solve problems because they lacked the daring of the engineer.

Sir Humphry Davy, one of the greatest chemists of his age, showed his lack of qualifications as a chemical engineer when he reported unfavorably on the project to use coal gas for the illumination of the City of London. One of his most emphatic objections was that it would require a gas holder as large as St. Paul's Church dome, and even after this was constructed, it would blow up at the first opportunity.

As an opposite example, I should cite the great Belgian engineer, Solvay, who revolutionized the manufacture of soda, one of the chemicals most indispensable to civilization and used in enormous quantities. His success was mainly due to the fact that he was more of an engineer than a chemist. In developing his process, he was unaware that this reaction was not new; that it was so old and so well known that several patents on this very subject were already on record and that, furthermore, the process had been tried commercially about half a dozen times in several countries, and had invariably been unsuccessful. Fortunately, all this discouraging information reached him only after his keen engineering talent had already demonstrated that this elusive chemical process could be controlled in the hands of an engineer and made to operate so successfully as to throw in the scrap heap the older processes used until then.

The pure chemist, confined by the walls of his classroom, his laboratory, or his library, sometimes fails to exercise sufficiently the sense of proportion.

Nor are the engineers, as a class, free from being carried away by a one-sided point of view, although their way of reasoning and grappling a problem is more along quantitative considerations.

The ways of thinking and acting of a chemist and those of an engineer are often along decidedly different points of view.

Yet, if these points of view can be compromised, or harmonized, they bring forth good chemical engineering. Nor is this always an easy task. Too often I have seen cases where the engineer, regardless of well-established chemical facts of which he was conveniently ignorant, diligently went on designing the most elaborate and ingenious equipment, giving minute attention to every structural and mechanical detail, and then handed plans and specifications to the chemist to leave the "chemical details" of the problem to the latter. These "details" consisted in specifying a material about as strong as steel, resisting strong acids or other very corrosive agencies, extreme heat, and which should, furthermore, be furnished at a price about that of steel or bronze. When the chemist meekly answered that he knew of no material that would answer the purpose except platinum, iridium, or possibly gold, the information was received with a look of contemptuous disappointment on the part of the engineer.

Simple as it sounds, it requires quite some experience, quite some common sense before the chemical engineer knows when to specify stoneware instead of lead, or other metals, or *vice versa*, or to learn how to alter the design of an equipment so as to make it adaptable for each of these different structural materials. I well remember the look of disgust of an engineer who had drawn his specifications of heavy stoneware to within one sixteenth inch of margin, to find out when the apparatus was finally delivered, at the end of several months' drying, and baking and waiting, that the dimensions had warped several inches and did not fit with the other parts of the equipment. That very day he learned that it pays to order his stoneware a long time in advance and to wait for its delivery before adjusting the final designs of the adjacent equipment according to what he got from the pottery.

In another case, a chemical engineer made a success of a different problem of pumping a corrosive liquid where delicate pumps made of expensive alloys or stoneware were most of the time out of order, until he superseded them by home-made pumps made of cast iron or cement. They corroded very fast, but their construction and replacement were so simple and inexpensive that he could afford to replace them rapidly with much less trouble or cost.

In many chemical industries, after once the initial chemical problems have been overcome, the manufacturing problems resolve themselves to cost of operation and mass production. No wonder then that in such industries the engineer's problems seem to dwarf those of the chemist to such an extent that sometimes the manufacturers seem to be astounded when one reminds them that after all their enterprise is essentially chemical. This is of little consequence in so-called "prosperous" times, when orders are abundant, profits considerable, and when the main problem is one of output. In times of keener competition the unchemically trained directors of such enterprises are sometimes unpleasantly reminded that they need clever chemists as well as good engineers and business men and that, while they were asleep on this subject, their keener competitors have been improving their industries along chemical lines.

To the wide-awake manufacturer, the present industrial depression should be an incentive to engage more chemists, to do more chemical research work, instead of laying off the men of their chemical staff, as has happened in too many instances since we got out of that fool's paradise of so-called "prosperity."

Most of our industries badly need "fertilizing" and fertilizing is better done while the land lies fallow than during planting or harvesting time.

Whenever I see such shortsightedness which is bound to stunt our industrial efficiency for the future, then I wonder whether some of the financial or business men at the head of large industrial enterprises are not occupying their position on an assumed and unearned reputation.

Some of our industries are more particularly adapted to our country on account of an exceptionally abundant supply of the raw materials they employ; this gives them at once a distinct advantage over other countries which have to import these raw products. But precisely in some of these industries, the chemical point of view has been much neglected, except in minor details.

For instance, we have that enormous industry of petroleum refining. Ever since petroleum was first discovered, the processes of rectification have not varied much from the general

methods of fractional distillation by which different compounds are separated by order of volatility in light hydrocarbons of the gasoline type, somewhat higher boiling liquids of the kerosene type, then lubricating oils, vaseline or petroleum jelly, and the least volatile and hardest of all, paraffine.

It is true that in this general process of distillation, improvements have been introduced from time to time. For instance, the intermediate treatment with sulphuric acid, then later the destructive distillation at higher temperatures of the so-called "cracking" processes which break up the more complex hydrocarbon molecules of the heavier distilling liquids and thereby increase the yield of the lighter and more valuable gasoline.

Nevertheless, the fact remains that aside from a relatively small proportion of lubricants, the bulk of raw or refined petroleum is burnt as a fuel. This burning may be done directly in oil burning furnaces, or as refined kerosene in our lamps, or as gas from our gas works, or by a much more efficient way, in our internal combustion motors, varying from the smallest motorcycle engine to the heaviest Diesel generator.

There was a time when coal also was exclusively used as a fuel until the chemists succeeded in converting one of its least attractive by-products, coal-tar, into a series of the most startling syntheses, which opened an entirely new field in chemistry. These coal-tar derivatives include not only an endless variety of dyes, but the many other valuable synthetic substances used in the art of healing and sanitation, as well as the newer synthetic resinous products which have opened new possibilities in electrical insulation and numerous other industries, and the chemicals which are used in the art of photography. Nor should I omit to mention the new explosives obtained from the same source, and which are safer and easier to handle than dynamite or gunpowder, and which find greater and more lasting applications in mining, agriculture and engineering than in war. Agents of foreign interests had long ago started a propaganda campaign among our teachers of chemistry as well as among our congressmen and manufacturers, making them believe that the United States was not suited for this industry of coal-tar products, and that Germany could better supply us. But the war awakened us from our torpor when we were confronted by the fact that the coal-tar derivatives were the

indispensable key to many of our most important industries and that the war could not be won without them, and that Germany had lulled us into inaction until, in experience, we were a full generation behind her. By supreme efforts, our chemists and business men overcame this fearful handicap; this achievement remains one of the most brilliant pages of our national history. And now it looks as if shortsightedness and politics were about to destroy what had been raised after so much effort.

But let us return to the subject of the petroleum industry: The abundant existence of this raw material, as well as natural gas, in America is mainly due to the special geological history of this continent. Geological changes here have been less violent, less metamorphic than in Europe or most other countries, so that the geological desposits or stores of these rather fugitive materials have been less disturbed, less broken up by subsequent upheavals.

Especially in natural gas do we possess a raw material which almost exclusively belongs to this country. When we reflect, however, that this raw material cannot readily be transported, we should seek methods to convert it into other commodities which lend themselves to easier transportation.

If we have acted as spendthrifts with our coal and petroleum, we have behaved as barbarians with our natural gas resources until there is little left of it. Yet natural gas contains valuable substances which under the hand of the chemist may be used as a starting point for syntheses perhaps more valuable than what has been accomplished with coal-tar. While the period of brutal waste is not yet ended, the dawn of a more enlightened utilization seems to be in sight. I learned recently that at least one of our more progressive and better organized industrial enterprises has undertaken the problem of more methodical use of natural gas along scientific and chemical lines. From the results already obtained, there is good hope that some day our natural gas resources may provide us with new synthetic products which may open entirely new possibilities in various other industries. I should add that the company in question, notwithstanding the present business depression, has not discharged its research chemists. On the contrary it has recently added considerably to its research staff and

equipment, although endeavoring to cut unnecessary expenses in other directions.

Industrial alcohol is another chemical industry in the United States which seems susceptible of an incomparably wider development as soon as it is less hampered by fanaticism in a more efficient commercial production and easier distribution. The ignorant multitude does not class alcohol as a chemical industry. Most people can not see in alcohol anything but its use or abuse as a beverage.

And yet, outside of such cases, there is hardly a chemical susceptible of wider and more beneficial application in the arts, the industries and the household economics. Its value as a solvent, its use in varnishes, artificial leather, smokeless powder, is well known among chemists. But a much more extended use is possible as a liquid fuel. The fact that it is far less volatile than gasoline and mixes readily with water, makes it not only cleaner, but incomparably less dangerous, whether it be used in the household for heating or illuminating purposes, or whether it be used on a motorcar or a motorboat, or stationary engine.

Furthermore, its sources of supply embrace all inexpensive starch- or sugar-containing vegetables, as well as the waste of our sugar refineries, all products of which this country has a prodigious supply.

Converting our perishable farm products into products like alcohol, which can be stored indefinitely and of which the transportation and handling are easy, is one of the ways of equalizing the uncertain fluctuations of the yield of our crops.

Long after every drop of petroleum or gasoline will have been extracted from our wells, every yearly agricultural crop will insure us a new supply of this valuable liquid fuel obtained by fermentation of starch- or sugar-containing liquids. I know of no country where there is such an abundant source of supply, as well as the industrial opportunities in conjunction with an extensive market within easy reach, provided industrial alcohol can be furnished to the consumer at a low enough price.

But unintelligent application of the Prohibition Act will offset all this, whatever good effects it may try to accomplish in other directions, by putting unnecessarily exaggerated restric-

tions or handicaps upon the manufacture or distribution of industrial alcohol.

Few people realize that the price at which alcohol can be delivered to the consumer at a profit is considerably influenced by whatever unnecessary red tape impedes manufacture, transportation or distribution. The well-intentioned manufacturer who is endeavoring to lower the cost of production, feels his efforts rather futile when they are wiped out at the selling and distributing end.

There is opportunity for considerable improvement in the technical end of this industry in the United States. In this respect, France and Germany were able to furnish better and cheaper alcohol than we were, because in those countries the industrial alcohol situation has always been more considered on its own merits. So has it come to pass that this branch of chemistry or chemical engineering has attracted fewer of our better scientists or engineers in the United States than in other countries. Justly or unjustly, this whole industry has been under the ban of social prejudice on the part of people who, in their zeal, can not discern between the drink evil and an indispensable chemical industry.

Yet, no less a man than the great Pasteur counts among the many illustrious chemists, biochemists and engineers, who have contributed to the development of the alcohol industry. It was Pasteur, while he was professor of chemistry at the University of Lille, who by undertaking to correct irregularities in the fermentation processes of a local distiller, discovered the fundamental truths relating to the phenomena of fermentation. Under his genius, the knowledge gained thereby became the starting point not only of radical improvements in the manufacture of fermentation processes, but they brought forth a veritable revolution in sanitation, surgery, and medicine. All this has sowed broadcast inestimable benefits on mankind, and has made the name of Pasteur sacred to every one who is not too ignorant to know something about what he has done for humanity.

If every annual crop of starch- or sugar-containing plants can furnish us an abundance of liquid fuel and solvents under the form of alcohol, we may look at this from another point of view and call it simply the stored-up energy of the sun.

The photochemical action of the sun rays under the influence of the chlorophyl, or green matter of the plant leaves, brings about the most subtle creative chemical synthesis. Carbon dioxide, a product of combustion, one of the ultimate destruction products of plant or animal life, combines with water under the action of sunlight. Dead matter reënters the process of life. The first, or one of the first products of this synthesis is formaldehyde; the latter in its turn, inaugurates a succession of further chemical syntheses which result in the formation of sugars, starch, cellulose, and other carbohydrates. No sun, no photochemical synthesis, no crops—no life! So that, after all, the whole living world is dependent upon a delicate photochemical reaction. Starvation, on one hand, or abundance of crops and foodstuffs, on the other, all within the range of photochemistry.

In the same way, our vast coal beds and our petroleum wells and our natural gas, are merely the result of light energy stored up from the plant or animal life of former geological periods. This, in itself, ought to impress us with the enormous possibilities of photochemical synthesis. And yet, here is a field where the scientist or engineer has accomplished next to nothing. In the utilization of this marvelous energy, we have not gone much beyond the art of making photographs.

So here is a power, an energy, which has been much neglected by scientist and engineer alike. Where is the Faraday, the Ampère, the Leonardo da Vinci, where is the Archimedes who shall show us how to use the sun rays for charging our electrical storage batteries, or who will teach us how to handle the photochemical action of sunlight, or to emulate nature in her synthesis of plant life? Who will utilize this delicate method instead of our hitherto brutal processes of synthesis? Nature in her methods of plant life synthesis does not treat with boiling solutions of alkalies or strong acids; she uses no high temperatures nor strong electric currents. If we want to be successful in this direction, we shall have to utilize equipment possessing large exposed surfaces similar to the leaves of plants. We may have to operate in rather dilute solutions instead of the concentrations which are ordinarily used in our present methods. We may have to find means for rapidly separating the formed products as fast as they accumulate. We

may be compelled to work within narrow ranges of temperature, perhaps not exceeding those outside of which plant life stops.

But who knows what surprises are in store for us and how we may simplify all this after the subject once begins to receive enough attention?

In the past, scientists have taught the engineers how to transmute the forces of nature, but this took a very long time. About a century and a half ago, Lavoisier, by his memorable work in chemistry, got as far as to exclaim: "In Nature nothing is created, nothing is lost, there are only transformations." But he was thinking of *matter* as such. It took almost a century more before Mayer and Joule proclaimed the same truth in physics as far as forces of Nature or energy are concerned. Our present conception of the conservation and transformation of energy are of rather recent date. Nor were these fundamental truths readily accepted without opposition. Since then, progress has been rapid. Scientists and inventors alike have taught the engineer how to transmute the forces of Nature.

Let us take, for instance, a well-known chemical reaction—the oxidation of carbon and hydrogen; whether this oxidation be accomplished simply by the burning of coal, gas, or oil in furnaces under a steam boiler, or by the internal combustion in any variety of a gas engine, it gives heat which in turn is transformed into motion or motive power, which runs our factories, our ships, our trains, our automobiles, our flying machines. Or, inversely, motion can be turned into an equivalent amount of heat by friction or otherwise, as every one knows who ever operated an air compressor or had to deal with a badly lubricated axle.

But motion, whether it be furnished by water rushing from a waterfall, or by a steam or gas engine, or by a windmill, can be made to turn a dynamo and produce electrical energy. The latter, in turn, can be changed into motion, heat or light. Or again, we can bridge directly that jump between a chemical reaction and light by simply burning oil, gas, acetylene, or magnesium, and thus produce any range of even the most intense light. Or, in other cases, we use heat or electricity to decompose the most refractory substances in their elements, and some of our largest electro chemical industries in Niagara

Falls are based on this. Or we may use either one of these forms of energy in chemical reactions which build up; which, in other words, bring about chemical synthesis.

But when it comes to transforming light energy into chemical synthesis, we have left thus far the monopoly of this agent to Nature; we have been acting as Rip Van Winkles.

In the museum of the Franklin Institute in Philadelphia exists an electrical machine which was used by Benjamin Franklin for his experiments. It was one of the very best electric machines of his day. Yet, at that time, it was a mere clumsy toy. When the weather was not too damp and all other conditions were propitious, the operator, after turning that glass globe until he was red in the face, could draw some insignificant sparks, or charge a Leyden jar, or give a harmless shock to the person who touched it. All this was not so very long ago. Yet that toy was the forerunner of our enormous electrical industries, and all the astounding modern applications of electrical energy; our electric generating stations which give us light, power and transportation, which move our trains, our ships, our factories, which generate power far beyond anything which unscientific man of antiquity, or of a few years ago, was able to dream of. That same electricity which gave us wireless telegraphy and the wireless telephone; which has made the world bigger, and, at the same time, smaller, by rendering every nook and corner more accessible.

Let those who at present lay off their research chemists, their physicists, their research engineers, remember that the tremendous gap between that toy electric machine of Franklin and the present electrical industry, would never have been bridged but for research, invention and good engineering.

BERNARD MANNES BARUCH

PATRIOTISM IN INDUSTRY

[Bernard Mannes Baruch is best known for his service on the War Industries Board, of which he was made Chairman March 5, 1918, and later as economic adviser for the American Peace Commission. He graduated from the College of the City of New York in 1889 and was for many years a member of the New York Stock Exchange until called by President Wilson to aid in the measures for national defense and control of industries in the War. The present address was delivered at the reunion of the members of the War Industries Board held at Washington on January 10, 1920.]

MY COMRADES AND FRIENDS: Although but two years have elapsed since our group of workers dispersed, momentous changes have come over the affairs of our own land and of the world. With the dark though inspiring days of the war behind us we went to our homes with visions of golden days of peace before us. We knew that the world was bled white and staggering under its war wastes and wounds, but after the black night of that engulfing war we could see only the dawn of a busy, peaceful world, prospering as it worked with a will to undo the terrible things it had done.

But now after a time of surging though factitious prosperity we are come again into troubled days. The war clouds darken the sky no more, but clouds of business depression and stagnation obscure the sun. Because we worked and strove together in the molding and directing of the economic affairs of the nation and, to a considerable degree of the world, in the tense days of the war, some of our associates have suggested that to-night it would be well to discuss the quite different economic crisis that has now overtaken us.

We all remember clearly and, perhaps, with a twinge what happened when the war drums began their deadly roll in the summer of 1914; the panic and tremendous drop in prices of commodities and securities; the gradual resumption of busi-

ness activity, later stipulated into a lively pace by the frantic demands for all our goods by the warring nations; then, how when we, too, plunged into the maelstrom, supply was overwhelmed by demand.

What transpired then was the causal forerunner of what is transpiring now. Let us consider that controlling cause of our present woes and its unfolding; then, let us examine the present position and conditions in the clear light of actuality rather than in the dim and confused light of present-day pessimism, and, finally, the remedy or remedies—for there must be always a way out.

With our entrance into the war, the last great reservoir of men, materials and credit was opened to the pent-up, war-purpose demands of pretty much the whole civilized world outside the Central Empires. We were called upon to deliver products beyond even our great normal capacity at the very moment that we were required to withdraw from their accustomed activities the flower of our superb young manhood and much of our industrial and commercial leadership. We alone gave 5,000,000 men to this conversion from production to destruction, and it would not be too high an estimate to say that all the armies withdrew 45,000,000 men from production and distribution. Moreover, at least 125,000,000 workers throughout the world were diverted to the production solely of material the major portion of which was doomed to destruction or to non-economic utilization by the armies. Within eighteen months some thirty billion dollars of financial stimulants were injected into the American business organism, not to mention the intense stimulus of patriotic purpose.

Agriculture and industry were speeded up to hitherto unknown velocities. Produce the goods and win the war was the cry. Considerations of economical production were necessarily relegated to a secondary place. Availability was the essential thing. Because of lack of sufficient shipping and, above all, the lack of time, great stores of materials such as sugar, wheat, rubber, wool and hides were backed up at external sources just when extraordinary demands were concentrated on American resources. Governmental regulation and allocation of labor and materials further stimulated here and curtailed there. Thus the streams of external supplies that

ordinarily flowed into the American reservoir were cut off simultaneously with the opening of the flood-gates.

But that is not all. Vast quantities of supplies were necessarily accumulated and transported far in advance of immediate need. The exigencies of governmental financing compelled an expansion of currency and credits. As the available sources of supplies decreased and the volume of money augmented, prices tended to mount. Here we met the situation by continually broadening price-fixing and by the restriction of the use of materials and services to needs and not to wants.

With the signing of the armistice, destruction terminated and the stimulus of wholesale governmental buying with the treasuries of the world behind it ceased. At the same time, governmental price-fixing and restrictions on civilian consumption were largely removed. There followed a popular rush to buy and a soaring of prices. Even if there had been plenty of goods, prices would have remained temporarily high or become higher because of the psychology of the situation. For a long time people had been educated to the conception of a dearth of goods, and there had developed a baseless belief in a continuation of this scarcity. They hungered for the comforts and luxuries they had so long gone without. The rebound from restraint to extravagance was violent, and, as always at times like these, there were large flotations, many indiscriminate promotions and wild speculation—absorbing capital and freezing credits.

We had become so accustomed to think of materials, shipping and railway transportation in terms of war restrictions and regulations that we had a false criterion of values when the war was over and the real conditions began to change. In the meantime the soldiers returned and began to go to work, shipping was released to commerce, the railroads stopped hauling munitions and began delivering civilian commodities, and production of economic goods was resumed; but we went on buying at any price with the persistent war belief in scarcity. The seas were again open to commerce, shut-off sources of supply were reopened, vast stores of materials, intended for war purposes but usable by civilians, were put on the market, and millions who had been engaged in war and war-purpose

production gradually turned to economic production. But still the world was high-price minded.

The prevalence of such prices, as is always the case, stimulated production; but presently the people began to break away from the high-price thought, and consumption was curtailed. The law of supply and demand was beginning to reassert itself. As home buying lessened, the allied Governments and their peoples, who had been expending their remaining credits here in competition with domestic consumers, began to reduce their purchases. Their depreciated currencies caused them to husband their resources, and, wherever possible, increase home production. The fact that their actual importations from the United States are still large is chiefly due to past orders against the balance of their credits, to meet accumulated necessitous wants.

The conditions of the former enemy countries and of Russia with respect to trade relations with us were infinitely worse. The old structure of international trade and finance which the world has slowly built up through the decades and the centuries had become entangled or broken down. This was especially true of that important section of it that rested on the great and involved system and ramifying net-work of industry, commerce and finance that focussed in central Europe, particularly in Germany. That means that this great outlet for the normal flow of goods is almost as completely cut off as if some cosmic catastrophe had annihilated the old enemy countries and their commercial tributaries. And this economic elimination of a vast part of the world means far more than the loss of its products and markets, for with the paralysis of that center, its commercial nerves that ramified throughout the world are dead, and everywhere there is less business and enterprise because in Germany, in Russia, in Austria and elsewhere there is less.

Thus we find that, among other factors affecting our economic position, are these items: The diminished buying power of our former customers, whose business life has been dislocated and grievously crippled by the war; the return to normal availability of many of the usual foreign supplies for our markets, with the consequent effect upon our price levels; the tem-

porary stoppage of buying here, and finally the loss of many of our export markets through the cutting off of whole communities almost isolated from commercial relations because of financial and political barriers. And over and above all, it must be remembered that the whole world is staggering under a paralyzing debt, while hundreds of millions of people are still unable to swing back into productivity who, were they working, would help to carry the load.

The 120,000,000 people of the Central Empires constituted a far more important part of the industrial arterial system of the world than was formerly generally recognized. They controlled and operated a large and highly efficient part of the world's merchant marine. They were an important organizing, financing and commercially directing factor in all that vast area that was Russia and in the Balkans and Turkey. Their merchants had penetrated Mexico, Central and South America, China, Africa, Australia—everywhere.

Now let us consider the remedy for the grave situation in which we find ourselves. In the first place the malady will largely generate its own anti-toxin, as so often happens in the natural body. As abnormally high prices stimulated production and reduced consumption, so low prices will stimulate consumption and reduce production. Thus, in turn, will come about an equilibrium between supply and demand that will restore the bases of stable prosperity. But as an international process the beneficent tendency will be delayed if not stopped unless the wounded members of the world body be restored to function—and of the wounded members that are not now on the way to renewal of commercial vitality, Germany is the most important and the very one for whose wounds there is a remedy that can be applied consciously by the rest of the world body.

Germany precipitated the present distress of the world by quitting work to go to war. She can only undo the evil she has done by returning to work. The supreme need of troubled mankind is to go back to work; and yet so complex and delicate is the machinery of modern production and distribution that it is not possible for all the world to work normally and effectively until all resume their places in the organization. We will not have peace in the fullest sense until a revived Germany

again takes her part in the economic system and reopens the sources of production and distribution and the channels of trade that formerly so effectually complemented those of other commercial nations. Without Central Europe the world is incomplete and cannot work to its maximum. *Yet to pay those staggering war debts, meet oppressive current budgets, and have a margin for savings and new capital, the world must work, and work and save as never before.* Now let us see how we can all work, tune up the whole world machine and create the necessary new wealth.

By the terms of the Treaty of Versailles Germany was adjudged liable to payment for a large part of the damages she had wrought by her wanton upsetting of the peace of the world. And parenthetically, I wish to say that never was there a more insensate act than that of the rulers who plunged Germany and the world into the abyss from which we are now trying to climb. Her industrial progress was the feature of our age, and her commercial penetration of neighboring States and, indeed, of the world, was rapidly giving her the substance, if not the form, of all that she could hope to gain by victorious arms.

Now, the bill against Germany was left indeterminate, but it can be definitely fixed by the Reparation Commission, in which there is a place reserved for the United States. What Germany must pay is beyond anything in the way of indemnities or reparations that the world has ever known, just as the offense and its ruinous consequences were likewise exceptional. Germany is like a debtor who owes more than he can possibly pay, but yet does not know even approximately how much; and, therefore, declines to resume business. She will not work hard to fill a bottomless pit. I am firmly of the opinion that the one great obstacle to her early return to her place in what you might call the industrial concert of the world, with the helpful effect to her former associates is the dismaying uncertainty of the amount of the reparations she must make. At the same time there is nothing else so important to the whole world's return to business normality and prosperity as the resumption of economic functioning by Germany.

Hence, it is not too much to say, as I do say, that the crux of the world industrial and commercial problem lies in the

fixing of the reparations that Germany must pay. The Allies must eventually come to see this; for they are under heavy burdens and are looking to the German reparations for their own rehabilitation. Germany must work to produce the wealth with which to pay reparation. In helping herself she will do what is more important—she will be helping us all.

Until Central Europe is again going full speed ahead the rest of the world will lag. We may not like it, but that is the cold fact. The question of the inter-indebtedness of the Allies and *even the sane rehabilitation of our own taxation can not be disposed of until the world is again humming with industry and every route and channel of commerce is reopened.*

If France and the other Allies are to be compensated, Germany must get to work.

If Germany is not to go into decay and dissolution, into political and economic degeneration with all its international reflexes, she must be started aright now.

If we are to dispose of our surplus products, Germany and the rest of Europe must resume commercial and industrial activity so they can be the customers of old.

Whatever the final arrangements they must be just to France, Belgium, Italy and the other countries Germany ravaged and robbed. On the other hand the burden placed on her must not be such as to enslave her people, though it must be up to the very limit of her ability to pay.

France, which is more interested in the early settlement of this question than any other nation, is also the stumbling block to its realization. Nevertheless the attitude of France is not unreasonable. Remember that France through the agony of four years' defense of civilization sacrificed 1,350,000 of her sons and endured the sufferings of 1,700,000 of wounded. Her northern provinces were ravaged and their wealth wiped out, terrible gaps were blown in her industrial life, her social life was upset and broken and she was overwhelmed with the enormous debt of defense. Above all things else France is determined, and, we must all agree, justly so, that she shall not again be put in peril of felonious assault by Germany. She trusts not in Germany and is even dubious about some of her former Allies. The poilu on the Rhine and a demoralized and

powerless Germany seem to France, under present conditions, to be the only way out. France must first be guaranteed that Germany shall keep the peace. Then the question will be open to settlement with due regard to economic conditions.

Although no part of the reparations may be ours, our interest in the sealing of the peace by terminating this open question is profound and vital. Much as other nations will gain none will gain more than ourselves from taking this step towards peace and ending the present disintegrating uncertainty. The present moving call for help for the poor, starving children of the Central Empires, with which we are all in deepest sympathy, is a case in point. How much better for them and for us it would be if we could assist them by giving their fathers an opportunity to work. Humanitarian considerations as well as enlightened selfishness demand the industrial rehabilitation of the former enemy countries.

The fixing of the reparation amount would be followed, in my opinion, by a gradual reestablishment of German credit, by an immediate rise in world exchange, by an increase in the purchasing power of all the nations and in a world-wide resumption of commerce. The balance of the German obligation should be put in the form of bonds, the interest on, and gradual amortization of which Germany could promptly pay, thus establishing their value. The French and other recipients of these bonds could use them as the basis of credit for their much needed purchases of raw materials and other things in foreign lands. Thus the settlement of the reparation question would favorably affect the world through the financial and commercial channels that radiate from the allied nations.

Now, in closing let us survey our own internal affairs, which from the standpoint of business are in much the same condition as those of the other great nations. You all know what has taken place recently and how different our present position is from that of only a few months ago and how we have descended rapidly from heights of optimism and courage to depths of pessimism and fear of impending disaster. Some of the most incorrigible optimists of last winter are the most confirmed of pessimists now. Gone are the courage and the confidence they so bravely flaunted then now that they are needed.

It is a curious fact that capital is generally most fearful when prices of commodities and securities are low and safe, and boldest at the heights where there is danger.

I would not belittle the very real distress of the moment; I have only sympathy for the men of affairs who are struggling so valiantly with the cross-currents and whirlpools of business that the cloudburst of falling prices and curtailed buying has occasioned. Things are bad but not so bad as our fears are prone to paint them. We are adjusting ourselves to restricted world markets and domestic price alterations. Losses and shrinkages have to some extent been discounted or neutralized already. There may be some more failures and further readjustments, but I see that profound curative, though at times convulsive, processes are setting in. It will not be a quick cure but it will be sure.

While automatic processes are working in the direction of economic cure, let us not forget that it is the duty and obligation of the leaders of finance both in bank and government to ease the painful process of present readjustments in every sound and proper manner. The hardships of deflation are necessarily great, in spite of all that can be done to alleviate them. Our financial leadership has as its greatest obligation at this time the duty of minimizing them, and of preventing unnecessary suffering.

All of us can accelerate the curative movement by practicing and preaching the doctrine of work and saving, by revising our burdensome and paralyzing wartime taxation—which is no longer necessary—by contenting ourselves with returns more nearly commensurate than recently with the service performed—and that applies equally to capital and labor. We must look for profits from big production, not from limitation of production. We must see to it that the present mass readjustments of prices are carried through to the ultimate consumer.

Business undertaken now is on a sound deflated instead of on an unsound inflated basis. Merely the return to real values from those born of pessimistic feeling will work a rapid change for the better. The times bristle with opportunities for enterprise although it is true that the rewards are still subject to heavy taxation. Building has been restricted, commerce throt-

ttled, upbuilding of the railroads and the development of mines and other natural resources held back. We have a vast opportunity in making up for the work that has been long left undone, as well as in the performance of the profitable current tasks that await us. These tremendous works will require labor, capital, brains and materials in ever increasing volume. We have scarcely scratched the resources of our own country as yet, and there are limitless fields in foreign lands for our enterprise and our capital. The world is ours in a wealth-making sense.

Let us look courageously at facts as they are, let us cast off the blindfold of pessimism, let us set our house in order, let us cut the Gordian knot of the German reparations impasse, and put the whole world back to work, realize peace in the fullest measure, face the future with American dauntlessness and look with confidence for the certain dawn of a great and enduring industrial renaissance, always bearing in mind the predominating fact that the economic, political, and social elements are so interwoven that one cannot survive without the others.

ALFRED COTTON BEDFORD

FRANCE IN THE RECONSTRUCTION PERIOD

[Alfred Cotton Bedford has been President of the Standard Oil Co. (N. J.) since 1916. He began his connection in business as clerk for a wholesale drygoods firm and since he was 18 has been connected with the Standard Oil Co. He was prominent in the Council for National Defense in the War and has been interested in the work of reconstruction in Europe. This address was given before the Bond Club of New York.]

It has been my fortune to pay frequent visits to France since boyhood, but devastated as she is, with one and a half million men dead, with her industries crippled, her agriculture paralyzed, I was never prouder of her past and surer of her destiny than I am to-day. What her people have done in the devastated areas and in the reconstruction of the country's commercial and industrial life is almost beyond belief. She has not had one hour of discouragement or one hour of violence since the war.

I cannot understand how any one person may hope to express an intelligent opinion either as to the merits of the dispute between France and Germany over the indemnity, or upon France's recuperative powers, without seeing that part of France first, as it was left by the Germans, and second, as it has been transformed by the French. Exhausted by the incessant controversies, which are a heritage of the war, the average man is tempted to regard the French attitude towards Germany as savoring of a stubborn and unreasoning insistence upon "the pound of flesh." A better and truer perspective of the French point of view may, perhaps, be obtained, if one looks at it through the long and horrible vista of wanton and senseless ruin of coal mines rendered for years unworkable, of miles of sterile orchards and vineyards, and all of the other evidences of Germany's design to make her acts of war operative against France for years after the signing

of peace. As I say, it is necessary to see these things, to understand the French point of view, and it is equally necessary to witness the almost fanatical energy of the French peasant in clearing the land of projectiles and rebuilding his home and the very important contribution he is making to the productive capacity of the country in order to understand that the French spirit is still alive and that French credit is still sound.

The transformation is proceeding so rapidly that the visitor to France of a few years hence will be able to form no adequate impression of what the greatest conflict of material forces in the history of the world meant to the nation upon whose soil it occurred. It will be a generation, perhaps, before the orchards and forests destroyed during the German retreat can be duplicated. The cathedrals, the galleries, and the other shrines of art will long await the hand of genius which is to restore them to their pristine glory, but in a land of so much beauty and charm the stranger will probably not miss much of the irretrievably lost. But please God, that which will always make France Holy Ground to the American, will always remain the hallowed resting place of our own dead.

I arrived at Romagne, the great American cemetery, just as the sun was setting. Through the greens and browns of a swiftly closing Autumn day, thousands of crosses stretched up the undulating hillside. Rank on rank, the crosses stood in death as in military alignment in life these soldiers marched and fought. As I looked, the scene was transformed by the first struggling beams of a new moon, and it seemed in that vast silence, as if all human error and wrong had rolled away and that when the last post had sounded over this band of battle crusaders, sacrifice had purified and sanctified and that what was there was not of this world.

HERBERT FRANCIS de BOWER

THE PRICE OF SUCCESS

[Herbert Francis de Bower was born at Dane, Wisconsin, and graduated from the Law School, University of Wisconsin, in 1896. He is known for his contributions as a writer and as a public speaker to the discussion of business topics.]

I OFTEN wonder what it is that brings one man success in life, and what it is that brings mediocrity or failure to his brother. The difference can't be in mental capacity; there is not the difference in our mentalities indicated by the difference in performance. In short, I have reached the conclusion that some men succeed because they cheerfully pay the price of success, and others, though they may claim ambition and a desire to succeed, are unwilling to pay that price.

And the price is—to use all your courage to force yourself to concentrate on the problem in hand, to think of it deeply and constantly, to study it from all angles, and to plan: To have a high and sustained determination to put over what you plan to accomplish, not if circumstances be favorable to its accomplishment, but in spite of all adverse circumstances which may arise—and nothing worth while has ever been accomplished without some obstacles having been overcome: To refuse to believe that there are any circumstances sufficiently strong to defeat you in the accomplishment of your purpose. Hard? I should say so. That's why so many men never attempt to acquire success, answer the siren call of the rut and remain on the beaten paths that are for beaten men.

That's the price of success as I see it. And I believe every man should ask himself: Am I willing to endure the pain of this struggle for the comforts and the rewards and the glory that go with achievement? Or shall I accept the uneasy and inadequate contentment that comes with mediocrity? Am I willing to pay the price of success? And the time to begin to pay is *now*.

LOUIS DEMBITZ BRANDEIS

BUSINESS—A PROFESSION ¹

[Mr. Justice Brandeis was born in Louisville, Kentucky, in 1856. After graduating from the Harvard Law School he was admitted to the bar in St. Louis and shortly moved to Boston where he continued the practice of law for nearly forty years. He was counsel in many cases that attracted wide public attention, notably in the proceedings involving the constitutionality of the Oregon and the Illinois women's ten-hour laws, the Ohio nine-hour law, the California eight-hour law, and the Oregon minimum wage law. In 1916 he was appointed Associate Justice of the Supreme Court.

This address sums up many of the important changes in the conduct of business which Mr. Justice Brandeis has long advocated and promoted. Not only as counsel but also as writer, speaker and citizen his efforts have been for what may be called the humanization of modern industry. The address was delivered at Brown University Commencement in 1912.]

EACH commencement season we are told by the college reports the number of graduates who have selected the professions as their occupations and the number of those who will enter business. The time has come for abandoning such a classification. Business should be, and to some extent already is, one of the professions. The once meager list of the learned professions is being constantly enlarged. Engineering in its many branches already takes rank beside law, medicine and theology. Forestry and scientific agriculture are securing places of honor. The new professions of manufacturing, of merchandising, of transportation and of finance must soon gain recognition. The establishment of business schools in our universities is a manifestation of the modern conception of business.

The peculiar characteristics of a profession as distinguished from other occupations, I take to be these:

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First. A profession is an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent learning, as distinguished from mere skill.

Second. It is an occupation which is pursued largely for others and not merely for one's self.

Third. It is an occupation in which the amount of financial return is not the accepted measure of success.

Is not each of these characteristics found to-day in business worthily pursued?

The field of knowledge requisite to the more successful conduct of business has been greatly widened by the application to industry not only of chemical, mechanical and electrical science, but also the new science of management; by the increasing difficulties involved in adjusting the relations of labor to capital; by the necessary intertwining of social with industrial problems; by the ever extending scope of state and federal regulation of business. Indeed, mere size and territorial expansion have compelled the business man to enter upon new and broader fields of knowledge in order to match his achievements with his opportunities.

This new development is tending to make business an applied science. Through this development the relative values in business of the trading instinct and of mere shrewdness have, as compared with other faculties, largely diminished. The conception of trade itself has changed. The old idea of a good bargain was a transaction in which one man got the better of another. The new idea of a good contract is a transaction which is good for both parties to it.

Under these new conditions, success in business must mean something very different from mere money-making. In business the able man ordinarily earns a larger income than one less able. So does the able man in the recognized professions—in law, medicine or engineering; and even in those professions more remote from money-making, like the ministry, teaching or social work. The world's demand for efficiency is so great and the supply so small, that the price of efficiency is high in every field of human activity.

The recognized professions, however, definitely reject the size of the financial return as the measure of success. They

select as their test, excellence of performance in the broadest sense—and include, among other things, advance in the particular occupation and service to the community. These are the basis of all worthy reputations in the recognized professions. In them a large income is the ordinary incident of success; but he who exaggerates the value of the incident is apt to fail of real success.

To the business of to-day a similar test must be applied. True, in business the earning of profit is something more than an incident of success. It is an essential condition of success; because the continued absence of profit itself spells failure. But while loss spells failure, large profits do not connote success. Success must be sought in business also in excellence of performance; and in business, excellence of performance manifests itself, among other things, in the advancing of methods and processes; in the improvement of products; in more perfect organization eliminating friction as well as waste; in bettering the condition of the workingmen, developing their faculties and promoting their happiness; and in the establishment of right relations with customers and with the community.

In the field of modern business, so rich in opportunity for the exercise of man's finest and most varied mental faculties and moral qualities, mere money-making cannot be regarded as the legitimate end. Neither can mere growth in bulk or power be admitted as a worthy ambition. Nor can a man nobly mindful of his serious responsibilities to society, view business as a game; since with the conduct of business human happiness or misery is inextricably interwoven.

Real success in business is to be found in achievements comparable rather with those of the artist or the scientist, of the inventor or the statesman. And the joys sought in the profession of business must be like their joys and not the mere vulgar satisfaction which is experienced in the acquisition of money, in the exercise of power or in the frivolous pleasure of mere winning.

It was such real success, comparable with the scientist's, the inventor's, the statesman's, which marked the career of William H. McElwain of Boston, who died in 1908 at the age of forty-one. He had been in business on his own ac-

count but thirteen years. Starting without means, he left a fortune, all of which had been earned in the competitive business of shoe manufacturing, without the aid of either patent or trademark. That shows McElwain did not lack the money-making faculty. His company's sales grew from \$75,957 in 1895 to \$8,691,274 in 1908. He became thus one of the largest shoe manufacturers in the world. That shows he did not lack either ambition or organizing ability. The working capital required for this rapidly growing business was obtained by him without surrendering to outside investors or to bankers any share in the profits of business: all the stock in his company being owned either by himself or his active associates. That shows he did not lack financial skill.

But this money-making faculty, organizing ability and financial skill were with him servants, not masters. He worked for nobler ends than mere accumulation or lust of power. In those thirteen years McElwain made so many advances in the methods and practices of the long-established and prosperous branch of industry in which he was engaged, that he may be said to have revolutionized shoe manufacturing. He found it a trade; he left it an applied science.

This is the kind of thing he did: In 1902 the irregularity in the employment of the shoe worker was brought to his attention. He became greatly impressed with its economic waste, with the misery to the workers and the demoralization which attended it. Irregularity of employment is the worst and most extended of industrial evils. Even in fairly prosperous times the workingmen of America are subjected to enforced idleness and loss of earnings, on the average, probably ten to twenty per cent of their working time. The irregularity of employment was no greater in the McElwain factories than other shoe factories. The condition was not so bad in shoe manufacturing as in many other branches of industry. But it was bad enough; for shoe manufacturing was a seasonal industry. Most manufacturers closed their factories twice a year. Some manufacturers had two additional slack periods.

This irregularity had been accepted by the trade—by manufacturers and workingmen alike—as inevitable. It had been bowed to as if it were a law of nature—a cross to be borne

with resignation. But with McElwain an evil recognized was a condition to be remedied; and he set his great mind to solving the problem of irregularity of employment in his own factories; just as Wilbur Wright applied his mind to the aeroplane, as Bell, his mind to the telephone, and as Edison, his mind to the problems of electric light. Within a few years irregularity of employment had ceased in the McElwain factories; and before his death every one of his many thousand employees could find work three hundred and five days in the year.

Closely allied with the establishment of regularity of employment was the advance made by McElwain in introducing punctual delivery of goods manufactured by his company. Shoes are manufactured mainly upon orders; and the orders are taken on samples submitted. The samples are made nearly a year before the goods are sold to the consumer. Samples for the shoes which will be bought in the spring and summer of 1913 were made in the early summer of 1912. The solicitation of orders on these samples began in the late summer. The manufacture of the shoes commences in November; and the order is filled before July.

Dates of delivery are fixed, of course, when orders are taken; but the dates fixed had not been taken very seriously by the manufacturers; and the trade was greatly annoyed by irregularities in delivery. McElwain recognized the business waste and inconvenience attendant upon such unfulfilled promises. He insisted that an agreement to deliver on a certain day was as binding as an agreement to pay a note on a certain day.

He knew that to make punctual delivery possible, careful study and changes in the methods of manufacture and of distribution were necessary. He made the study; he introduced the radical changes found necessary; and he so perfected his organization that customers could rely absolutely upon delivery on the day fixed. Scientific management practically eliminated the recurring obstacles of the unexpected. To attain this result business invention of a high order was of course necessary—invention directed to the departments both of production and of distribution.

The career of the Filenes of Boston affords another exam-

ple of success in professionalized business. In 1891 the Filenes occupied two tiny retail stores in Boston. The floor space of each was only twenty feet square. One was a glove stand, the other a women's specialty store. Twenty years later their sales were nearly \$5,000,000 a year. In September, 1912, they moved into a new building with more than nine acres of floor space. But the significant thing about their success is not their growth in size or in profits. The trade offers many other examples of similar growth. The preëminence of the Filenes lies in the advance which has been made in the nature, the aims and the ideals of retailing, due to their courage, initiative, persistence and fine spirit. They have applied minds of a high order and a fine ethical sense to the prosaic and seemingly uninteresting business of selling women's garments. Instead of remaining petty tradesmen, they have become, in every sense of the word, great merchants.

The Filenes recognized that the function of retail distribution should be undertaken as a social service, equal in dignity and responsibility to the function of production; and that it should be studied with equal intensity in order that the service may be performed with high efficiency, with great economy and with nothing more than a fair profit to the retailer. They recognized that to serve their own customers properly, the relations of the retailer to the producer must be fairly and scientifically adjusted; and, among other things, that it was the concern of the retailer to know whether the goods which he sold were manufactured under conditions which were fair to the workers—fair as to wages, hours of work and sanitary conditions.

But the Filenes recognized particularly their obligations to their own employees. They found as the common and accepted conditions in large retail stores, that the employees had no voice as to the conditions or rules under which they were to work; that the employees had no appeal from policies prescribed by the management; and that in the main they were paid the lowest rate of wages possible under competitive conditions.

In order to insure a more just arrangement for those working in their establishment, the Filenes provided three devices:

First. A system of self-government for employees, admin-

istered by the store coöperative association. Working through this association, the employees have the right to appeal from and to veto policies laid down by the management. They may adjust the conditions under which employees are to work, and, in effect, prescribe conditions for themselves.

Second. A system of arbitration, through the operation of which individual employees can call for an adjustment of differences that may exist between themselves and the management as to the permanence of employment, wages, promotion or conditions of work.

Third. A minimum wage scale, which provides that no woman or girl shall work in their store at a wage less than eight dollars a week,¹ no matter what her age may be or what grade of position she may fill.

The Filenes have thus accepted and applied the principles of industrial democracy and of social justice. But they have done more—they have demonstrated that the introduction of industrial democracy and of social justice is at least consistent with marked financial success. They assert that the greater efficiency of their employees shows industrial democracy and social justice to be money-makers. The so-called "practical business man," the narrow money-maker without either vision or ideals, who hurled against the Filenes, as against McElwain, the silly charge of being "theorists," has been answered even on his own low plain of material success.

McElwain and the Filenes are of course exceptional men; but there are in America to-day many with like perception and like spirit. The paths broken by such pioneers will become the peopled highways. Their exceptional methods will become accepted methods. Then the term "Big business" will lose its sinister meaning, and will take on a new significance. "Big business" will then mean business big not in bulk or power, but great in service and grand in manner. "Big business" will mean professionalized business, as distinguished from the occupation of petty trafficking or mere money-making. And as the profession of business develops, the great industrial and social problems expressed in the present social unrest will one by one find solution.

¹ The minimum wage in 1922 is \$14.

ANDREW CARNEGIE

THE COMMON INTEREST OF LABOR AND CAPITAL¹

[The career of Andrew Carnegie is one of the most extraordinary in our history. He was born in Dunfermline, Scotland, in 1835. He came with his family to the United States when a boy of thirteen and went to work as a weaver's assistant in a cotton factory in Allegheny, Pa. Mr. Carnegie in his later life was proud to relate the story of thrift and industry which led to his final success. He learned telegraphy, entered the employ of the Pennsylvania R. R. and became telegraph operator, advancing until he became superintendent of a division of the Pennsylvania system. During the Civil War he served as superintendent of military railways and government telegraph lines in the East. Before this he had laid the basis of his fortune through the organization of the Woodruff Sleeping Car Co. After the war he developed iron works of various kinds and introduced into this country the Bessemer process of making steel. He became principal owner of the Homestead and Edgar Thomson Steel Works and later of the Carnegie Steel Company which in 1901 was merged in the United States Steel Corporation when Mr. Carnegie retired from business. He was then probably the richest man in the world, and he had already begun his long series of philanthropies. His enormous fortune was distributed in princely benefactions. He gave over two thousand libraries to towns and cities in the United States and Great Britain. He established the Carnegie Institute in Pittsburg, the Carnegie Institution in Washington, the Carnegie Foundation for pensioning teachers, gave large sums to Scotch Universities and to many other organizations and causes. At his death the remainder of his fortune was put into a trust to aid further in support of the foundations which he had already established, and of other charities. Mr. Carnegie was the author of many books and a speaker on many occasions. This address was given at the dedication of the Carnegie Library at Braddock, Pa. It is an address to workmen and embodies the principles which Mr. Carnegie adopted in his own business and constantly urged on both employers and employees.]

¹ Reprinted from *The Empire of Business* by special permission of Mrs. Carnegie.

A GREAT philosopher has pointed out to us that in this life the chief, the highest reward that we can obtain is the purchase of satisfactions. I have purchased a great satisfaction, one of the greatest I have ever acquired. I have been privileged to help some of my fellow-workmen help themselves. This Library (Braddock, Pa.) will give them an opportunity to make themselves more valuable to their employers, and so lay up intellectual capital that cannot be impaired or depreciated.

It is very unfortunate that the irresistible tendency of our age, which draws manufacturing into immense establishments, requiring the work of thousands of men, renders it impossible for employers who reside near to obtain that intimate acquaintance with employees which, under the old system of manufacturing in very small establishments, made the relation of master and man more pleasing to both.

When articles were manufactured in small shops by employers who required only the assistance of a few men and apprentices, the employer had opportunities to know every one, to become well acquainted with each, and to know his merits both as a man and as a workman; and on the other hand the workman, being brought into closer contact with his employer, inevitably knew more of his business, of his cares and troubles, of his efforts to succeed, and more important than all, he came to know something of the characteristics of the man himself. All this is changed.

Thus the employees become more like human machines, as it were, to the employer, and the employer becomes almost a myth to his men. From every point of view this is a most regrettable result, yet it is one for which I see no remedy. The free play of economic laws is forcing the manufacture of all articles of general consumption more and more into the hands of a few enormous concerns, that their cost to the consumer may be less.

There is no longer any room for conducting the manufacture of such articles upon a small scale; expensive works and machinery costing millions are required, as the amount per ton or per yard of what we call "fixed charges" is so great a factor in the total cost that whether a concern can run successfully or not in many cases depends upon whether it divides these fixed charges—which may be said to be practically the same

in a large establishment as in a smaller—by a thousand tons per day or by five hundred tons per day of product. Hence the reason for the continual increase year by year in the product of your mills, not that the manufacturer wishes primarily to increase his product, but that the strain of competition forces him into extensions that he may thereby reduce more and more per ton or by yard these fixed charges, upon which the safety of his capital depends.

It being therefore impossible for the employers of thousands to become acquainted with their men, if we are not to lose all feeling of mutuality between us, the employer must seek their acquaintance through other forms, to express his care for the well-being of those upon whose labor he depends for success, by devoting part of his earnings for institutions like this library, and for the accommodation of organizations such as the coöperative stores which occupy the lower floor of this building, and I hope in return that the employees are to show by the use which they make of such benefactions that they in turn respond to this sentiment upon the part of the employers wherever it may be found. By such means as these we may hope to maintain to some extent the old feeling of kindness, mutual confidence, respect and esteem which formerly distinguished the relations between the employer and his men. We are younger than Europe, and have still something to see from the older land in this respect; but I rejoice to see that many manufacturers in this country are awakening to the sense of duty to their employees; and what is even still more important are the evidences which we find among our workmen of a desire to establish societies which cannot but be beneficial to themselves. It is all well enough for people to help others, but the grandest result is achieved when people prove able to help themselves.

Another important feature, which may be referred to is, that in Pittsburg labor, generally, is paid so well that the workman can save something every month, if he only will make the effort. Nothing can exceed the importance of saving part of his earnings. The workman who owns his own home has already a sure foundation upon which to build the competence which is to give him comfort and independence in old age.

I have said how desirable it was that we should endeavor,

by every means in our power, to bring about a feeling of mutuality and partnership between the employer and the employed. Believe me, the interests of Capital and Labor are one. He is an enemy of Labor who seeks to array Labor against Capital. He is an enemy of Capital who seeks to array Capital against Labor.

I have given the subject of Labor and Capital careful study for years, and I wish to quote a few paragraphs from an article I published years ago:

"The trouble is that men are not paid at any time the compensation proper to that time. All large concerns necessarily keep filled with orders, say for six months in advance, and these orders are taken, of course, at prices prevailing when they are booked. This year's operations furnish perhaps the best illustration of the difficulty. Steel rails at the end of last year for delivery this year were \$29 per ton at the works. Of course the mills entered orders freely at this price, and kept on entering them until the demand growing unexpectedly great carried prices up to \$35 per ton. Now the various mills in America are compelled for the next six months or more to run upon orders which do not average \$31 per ton, at the seaboard and Pittsburg, and say \$34 at Chicago. Transportation, iron-stone, and prices of all kinds have advanced upon them in the meantime, and they must therefore run for the bulk of the year upon very small margins of profit. But the men noticing in the papers the 'great boom in steel rails,' very naturally demand their share of the advance, and under our existing faulty arrangements between capital and labor they have secured it. The employers, therefore, have grudgingly given what they know under proper arrangements they should not have been required to give; and there has been friction and still is dissatisfaction upon the part of the employers. Reverse this picture. The steel-rail market falls again. The mills have still six months' work at prices above the prevailing market, and can afford to pay men higher wages than the then existing state of the market would apparently justify. But having just been amerced in extra payments for labor which they should not have paid, they naturally attempt to reduce wages as the market price of rails goes down, and there arises discontent among the men, and we have the repetition of the negotiations and

strikes which have characterized the beginning of this year. In other words, when the employer is going down the employee insists on going up, and vice versa. What we must seek is a plan by which men will receive high wages when their employers are receiving high prices for the product, and hence are making large profits; and per contra, when the employers are receiving low prices for product, and therefore small if any profits, the men will receive no wages. If this plan can be found employers and employed will be 'in the same boat,' rejoicing in their prosperity and calling into play their fortitude together in adversity. There will be no room for quarrels and instead of a feeling of antagonism there will be a feeling of partnership between employers and employed. There is a simple means of producing this result, and to its general introduction both employers and employed should steadily bend their energies. Wages should be based upon a sliding scale, in proportion to the net prices received for product month by month. It is impossible for Capital to defraud Labor under a sliding scale."

One advantage of this Library (Carnegie Library at Braddock, Pa.) will be that it will bring before you every local newspaper and every Trade Journal, and I beg you all to read these carefully. You will find many misstatements, many blunders. These are inseparable from the newspaper press, which must work hastily and report even rumors. But by studying the principal journals the tendency of affairs can be correctly seen. Newspapers will not give you a correct statement of the prices of material. Manufacturers are disposed to give the brightest coloring to the situation,—to report the highest sales made with a view to maintain prices and induce customers to purchase. They will probably not report how low they have been compelled to sell in order to meet competition and keep works running. Nevertheless, a careful perusal of the newspapers and Trade Journals, as I have said, will enable you to form a general opinion of the trend of events in the commercial world.

If you read the papers to-day, you will know that out of thirteen mills engaged in the manufacture of steel rails in this country, not more than three are running to their capacity. Only one mill in all the West is making rails (North Chicago), and I am sorry to say that it seems probable that even that one will not be able to run continuously.

The most melancholy feature in all the disputes between labor and capital is that it is scarcely ever capital that succeeds in breaking down the price of labor, but alas, it is labor which stabs labor. Look around you and see labor working at 10, 20 and even 30 per cent, less in some mills and at Johnstown and Harrisburg for less than one-half what we pay for skilled labor in this district; and then in your hearts blame not capital, but consider employers who regret those reductions in wages who stand out against them and run for years at higher prices, as the best friends of labor, even although at last they must frankly confess that if they are to give their men steady employment and save their capital and works, they are forced to ask them to work at the rates obtained by their competitors. The first employer who reduces labor is labor's enemy; but the last employer to reduce labor may be labor's stanchest friend. The fatal enemy of labor is labor, not capital.

The greatest character in the public life of Britain, and the stanchest friend of the Republic in its hour of need, the Radical, John Bright, being once asked what was his most valuable acquisition, replied, "A taste for reading." I can truthfully say from my own experience that I agree with that great man. Most anxious to give you the best advice in my power, I advise you to cultivate the taste for reading. When I was a boy in my teens in Allegheny City, Col. Anderson whose memory I must ever revere, who had a few hundred books, gave notice that he would lend these books every Saturday afternoon to boys and young men. You cannot imagine with what anxiety some of us who embraced this opportunity to obtain knowledge looked forward to every Saturday afternoon, when we could get one book exchanged for another. The principal partner with me in all our business, Mr. Phipps, equally with yourself, had obtained access to the stores of knowledge by means of this benefactor. It is from personal experience that I feel that there is no human arrangement so powerful for good, there is no benefit that can be bestowed upon a community so great, as that which places within the reach of all the treasures of the world which are stored up in books.

We occasionally find traces even at this day of the old prej-

udice which existed against education of the masses of the people. I do not wonder that this should exist when I reflect upon what has hitherto passed for education. Men have wasted their precious years trying to extract education from an ignorant past whose chief province is to teach us, not what to adopt, but what to avoid. Men have sent their sons to colleges to waste their energies upon obtaining a knowledge of such languages as Greek and Latin, which are of no more practical use to them than Choctaw. I have known few college graduates that knew Shakespeare or Milton. They might be able to tell you all about Ulysses or Agamemnon or Hector, but what are these compared to the characters that we find in our own classics? One service Russell Lowell has done, for which he should be thanked—he has boldly said that in Shakespeare alone we have a greater treasure than in all the classics of ancient time. They have been crammed with the details of petty and insignificant skirmishes between savages, and taught to exalt a band of ruffians into heroes; and we have called them “educated.” They have been “educated” as if they were destined for life upon some other planet than this. They have in no sense received instruction. On the contrary, what they have obtained has served to imbue them with false ideas and to give them a distaste for practical life. I do not wonder that a prejudice has arisen and still exists against such education. In my own experience I can say that I have known few young men intended for business who were not injured by a collegiate education. Had they gone into active work during the years spent in college they would have been better educated men in every true sense of that term. The fire and energy have been stamped out of them, and how to so manage as to live a life of idleness and not a life of usefulness has become the chief question with them. But a new idea of education is now upon us.

We have begun to realize that a knowledge of chemistry, for instance, is worth a knowledge of all the dead languages that ever were spoken upon the earth; a knowledge of mechanics more useful than all the classical learning that can be crammed into young men at college. What is the young man to do who knows Greek with the young man that knows stenography or telegraphy, for instance, or bookkeeping, or chemistry, or the law of mechanics, in these days? Not that any kind of knowl-

edge is to be underrated. All knowledge is, in a sense, useful. The point I wish to make is this, that, except for the few, who have the taste of the antiquarian, and who find that their work in life is to delve among the dusty records of the past, and for the few that lead professional lives, the education given to-day in our colleges is a positive disadvantage.

The lack of education in its true sense has done more than all the other causes combined to prevent the universal recognition of labor. I remember that the great president, the greatest of all railway managers, Edgar Thomson, after whom the works here are called, once asked me to remove from Pittsburg to be master of machinery of the Pennsylvania Railroad. Well, you may smile. And I said to Mr. Thomson, "Why, Mr. Thomson, you amaze me. I know nothing whatever about machinery." "That is the reason I want you to take charge of it," he replied. "I have never known a mechanic with judgment and good sense except one." This was before the time of Captain Jones, so he could not have referred to the Captain. This lack of judgment in mechanics was because at that day in this country they had failed to receive an all-round education. I mean the true education and knowledge of matters and things in general, by which we are surrounded and with which we have to deal. The unprecedented success which has attended the development of the Bessemer works in this country has arisen from this cause, above all others, that, unlike the manufacture of iron, it has fallen into the hands of men of great scientific knowledge. The services of these men are recognized throughout the world and receive compensation which a few years ago would have been considered enormous, and in consequence they have lifted mechanical labor with them and served to dignify it in the eyes of the world. "The mechanic," "the mechanical engineer," "the manager of steel mills," are now titles of honor. If you want to make labor what it should be, educate yourself in useful knowledge. That is the moral I would emphasize. Get knowledge. Cultivate a taste for reading, that you may know what the world has done and is doing and the drift of affairs.

The value of the education which young men can now receive cannot be overestimated, and it is to this education, as

given in technical schools, to which I wish to call your attention. Time was when men had so little knowledge that it was easy for one man to embrace it all, and the courses in colleges bear painful evidence of this fact to-day. Knowledge is now so various, so extensive, so minute, that it is impossible for any man to know thoroughly more than one small branch. This is the age of the specialist; therefore you who have to make your living in this world should resolve to know the art which gives you support; to know that thoroughly and well, to be an expert in your specialty. If you are a mechanic, then from this library study every work bearing upon the subject of mechanics. If you are a chemist, then every work bearing upon chemistry. If you are at the blast furnaces, then every work upon the blast furnace. If in the mines, then every work upon mining. Let no man know more of your specialty than you do yourself. That should be your ideal. Then, far less important, but still important, to bring sweetness and light into your life, be sure to read promiscuously, and know a little about as many things as you have time to read about. Just as on his farm the farmer must first attend well to his potatoes and his corn and his wheat, from which he derives his revenue, and he may spend his spare hours as a labor of love in cultivating the flowers that surround his home. One domain your work, and the other your recreation.

In these days of transition and of struggles between labor and capital, to no better purpose can you devote a few of your spare hours than to the study of economic questions. There are certain great laws which will be obeyed: the law of supply and demand; the law of competition; the law of wages and of profits. All these you will find laid down in the text-books, and remember that there is no more possibility of defeating the operation of these laws than there is of thwarting the laws of nature which determine the humidity of the atmosphere or the revolution of the earth upon its axis.

The severe study of scientific books must not be permitted to exclude the equally important duty of reading the masters in literature; and by all means of fiction. The feeling which prevails in some quarters against fiction is, in my opinion, only a prejudice. I know that some, indeed most, of the most eminent men find in a good work of fiction one of the best

means of enjoyment and of rest. When exhausted in mind and body, and especially in mind, nothing is so beneficial to them as to read a good novel. It is no disparagement of free libraries that most of the works read are works of fiction. On the contrary, it is doubtful if any other form of literature would so well serve the important end of lifting hard-working men out of the prosaic and routine duties of life. The works of Scott, Thackeray, Eliot, Dickens, Hawthorne, and others of the same class, are not to be rated below any other form of literature for workingmen.

You all know how much manufacturing science is indebted to the improvements and inventions which owe their first suggestion to the workman himself. Now mark this important fact. These improvements and inventions come from the educated—educated in the true sense—and never from the ignorant workman. They must come, and they do come, from men who are in their special department men of more knowledge than their fellows. If they have not read, then they have observed, which is the best form of education. The important fact is that they must know; how the knowledge was acquired, it matters not. The fact that they know more about a problem than their fellows and are able to suggest the remedy or improvement, is what is of value to them and their employer. There is no means so sure for enabling the workman to rise to the foremanship, managership and finally partnership as knowledge of all that has been done and is being done in the world to-day in the special department in which he labors. From the highest down to the lowest a better grade of service is rendered by the intelligent man than it is possible for the ignorant man to render. His knowledge always comes in, and whether you have knowledge, on the part of the manager who directs, or of the man who only handles a shovel, you have in him a valuable employee in proportion to his knowledge, other things being equal. In the course of my experience as a manager I know our firm has made many mistakes by neglecting one simple rule, "never to undertake anything new until your managers have had an opportunity to examine everything that has been done throughout this world in that department." Neglect of this has cost us many hundreds of thousands of dollars, and we have become wise. Now I say

here to the man who is ambitious to learn, who, perhaps, thinks that he has some improvement in his mind, here in the rooms of this library, there is, or I hope soon will be, the whole world's experience upon that subject brought right before you down to a recent date. In any question of mechanics or any question of chemistry, any question of furnace practice, you will find the records of the world at your disposal here. If you are on the wrong track, these books will tell you; if you are on the right track, they will tell you; if you are on the right track, they will afford you encouragement. You can go through hall after hall in the patent office in Washington, and see thousands of models of inventions bearing upon all branches of human industry, and ninety-nine out of every hundred would never have been placed there had the ignorant inventor had at command such facilities as will be yours in this library.

I have heard employers say that there was great danger that the masses of the people might become too well educated to be content in their useful and necessary occupations. It has required an effort upon my part to listen to this doctrine with patience. It is all wrong; I give it an unqualified contradiction. The trouble between capital and labor is just in proportion to the ignorance of the employed. The more intelligent the employer the better, and the more intelligent the employed the better. It is never education, it is never knowledge, that produces collision. It is always ignorance on the part of one or the other of the two forces. Speaking from an experience not inconsiderate, I make this statement. Capital is ignorant of the necessities and the just dues of labor, and labor is ignorant of the necessities and dangers of capital. That is the true origin of friction between them. More knowledge on the part of capital of the good qualities of those that serve it, and some knowledge upon the part of the men of the economic laws which hold the capitalist in their relentless grasp, would obviate most of the difficulties which arise between these two forces, which are indispensably necessary to each other. I hope that those of our men who possess that inestimable prize, the taste for reading, will make it a point to study carefully a few of the fundamental laws from which there is no escape, either on the part of capital or labor. If this library

be instrumental in the slightest degree in spreading knowledge in this department, it will have justified its existence.

I trust that you will not forget the importance of amusements. Life must not be taken too seriously. It is a great mistake to think that the man who works all the time wins in the race. Have your amusements. Learn to play a good game of whist or a good game of drafts, or a good game of billiards. Become interested in baseball or cricket, or horses, anything that will give you innocent enjoyment and relieve you from the usual strain. There is not anything better than a good laugh. I attribute most of my success in life to the fact that, as my partners often say, trouble runs off my back like water from a duck. There is a poetical quotation from Shakespeare, that is applicable. It is to "wear your troubles as your outsides—like your garments, carelessly."

Many men are to be met with in this life who would have been great and successful had the world rated them at the value which they placed upon themselves. This class are the victims of an hallucination. Nobody in the world desires to keep down ability. Everybody in the world has an outstretched hand for it. Every employer of labor is studying the young men around him, most anxious to find one of exceptional ability. Nothing in the world is so desirable for him and so profitable for him as such a man. Every manager in the works stands ready to grasp, to utilize the man that can do something that is valuable. Every foreman wants to have under him in his department able men upon whom he can rely and whose merits he obtains credit for, because the greatest test of ability in a manager is not the man himself, but the men with whom he is able to surround himself. These books on the shelves will tell you the story of the rise of many men from our own ranks. It is not the educated, or so-called, classically educated man, it is not the aristocracy, it is not the monarchs, that have ruled the destinies of the world, either in camp, council, laboratory or workshop. The great inventions, the improvements, the discoveries in science, the great works in literature have sprung from the ranks of the poor. You can scarcely name a great invention or a great discovery, you can scarcely name a great picture, or a great statue, a great song or a great story, nor anything great that has not

been the product of men who started like yourselves to earn an honest living by honest work.

And, believe me, the man whom the foreman does not appreciate, and the foreman whom the manager does not appreciate, and the manager whom the firm does not appreciate, has to find the fault not in the firm, or the manager, or the foreman, but in himself. He cannot give the service that which is so invaluable and so anxiously looked for. There is no man who may not rise to the highest position, nor is there any man who, from lack of the right qualities or failure to exercise them, may not sink to the lowest. Employees have chances to rise to higher work, to rise to be foremen, to be superintendents, and even to rise to be partners, and even to be chairmen in our service, if they prove themselves possessed of the qualities required. They need never fear being dispensed with. It is we who fear that the abilities of such men may be lost to us.

It is highly gratifying to know that the hours of labor are being gradually reduced throughout the country—eight hours to work, eight hours to play, eight hours to sleep, seems the ideal division. If we could only establish by law that all manufacturing concerns which run day and night should use three turns, it would be most desirable. You know we tried to do so for several years at a cost of some hundreds of thousands of dollars, but were finally compelled by our competitors to give up the struggle; the best plan, perhaps, is to reach it by slow degrees through state laws. No one firm can do much. All its competitors in the various states must be compelled to do likewise, for in our days profits are upon so narrow a margin that no firm can run its works except under similar conditions with its competitors. It is necessary, therefore, that laws should be secured binding upon all. We should be glad to support such a law; but, even as at present, if workmen use well the time they have at their disposal they will soon rise to higher positions. You need not work twelve hours very long; most of us have worked more hours than twelve in our youth.

The workman has many advantages to-day over his predecessors. A sliding scale for his labor ranks him higher than before as a man and a citizen. The proportion of the joint

earnings of capital and labor given to labor never was so great and is constantly rising, the earnings of capital never were so low. The cost of living never was so low in recent times.

I hope the future is to add many more advantages and that the toilsome march which labor has had to make on its way from serfdom, when our fore-fathers were bought and sold with the mines and factories they worked, up to its present condition, is not yet ended, but that it is destined to continue and lead to other important results for the benefit and dignity of labor.

[The sliding scale proposed was afterwards introduced by Mr. Carnegie and has been in successful operation for many years.]

GEORGE BRUCE CORTELYOU

EFFICIENCY

[Mr. Cortelyou has been since 1909 President of the Consolidated Gas Co. of New York. The first secretary of the newly created department of commerce and Labor in the Cabinet of President Roosevelt, he later became Postmaster General and still later Secretary of the Treasury. Some reference to his friendship with Presidents McKinley and Roosevelt is made in his speech "Men of Vision with their Feet on the Ground," printed in Vol. I of *Modern Eloquence*. This address on Efficiency and organization was given at the 7th Banquet of the American Gas Institute held at the Hotel Astor, New York City, on October 22, 1914.]

MR. TOASTMASTER AND GENTLEMEN:—You have asked me to say a few words this evening, and you have stipulated that they should relate to the gas industry. Other speakers, I am told, have been informed that they might give full rein to their fancy, it even being permissible for them to indulge in comments of a lighter vein; but I am to be severely technical.

Now, a prerogative of the toastmaster, among the many others he assumes, is to reach out and draft hard-working citizens to fill places as speakers in the after-dinner program. Once in a while you will find that the speaker will also assume some prerogatives, when once on his feet, with the toastmaster at his mercy for the time being—to say nothing of his audience—and so turn his remarks that their resemblance to anything technical becomes a mere figment of the imagination.

I used to think I was a newcomer in the gas industry, but I am beginning to feel a little differently about it now, partly I suppose because of the insistence with which I am asked to deal with the technical side of the industry. One in my position, however, cannot but feel, at least in one respect, as Sir Isaac Newton is said to have expressed himself toward the end of his eventful life, that in all his researches and dis-

coveries he seemed to himself but as a little child gathering pebbles on the seashore while the great ocean of truth lay undiscovered before him.

Don't expect me to speak to you to-night upon the strictly technical side of our business. Rather permit me to use the occasion for a few suggestions of a general character that may commend themselves to you, or even if they do not at first, may stimulate thought along similar lines.

We represent a utility of the first magnitude, technically, commercially, publicly;—one of the great industries of the world. In these busy and seething times, will it not be profitable to consider for a moment a few of our experiences in conducting our business? These experiences are not exceptional; they apply to all large business undertakings, and that is why I refer to them.

First of all, we have such organizations as the American Gas Institute, because they bring together for conference and consultation and good fellowship men engaged in similar lines of activity. If conducted wisely as this one is they make for efficiency—efficiency in manufacture and distribution, efficiency in public relations. Efficiency is a much abused word in these days. I think that many of us forget in our eagerness to secure it how much of value there is in what I may call the efficiency of simplicity. A name does not make a thing good or bad. We may have a business so conducted that the machinery appears to move smoothly, with results turned out with mathematical precision, and yet below the surface it may be hollow and little more than a beautiful shell. The spirit may have been ground out of it by the very keenness of the edge that you have put upon it. Since I have been back here in New York I have had suggestions as to efficiency of management made to me in communications that would have done discredit to a ten-year-old lad, or submitted to me in other ways with a crudeness and raggedness that proclaimed the authors to be signally lacking in the quality they would impart to others. This, mind you, from individuals of supposed standing or from organizations claiming to represent the last word in the teaching of efficiency.

I should be sorry, however, if these remarks should be construed as a reflection upon the profession of efficiency engi-

neering. Certainly the world of modern business owes a great deal to that profession. What I have said is intended to apply only to the unfortunately large number of individuals who have gone into the business, after having failed, one would think, at everything else.

Efficiency? Yes, we are all seeking it, but it comes not by any royal road or through the medium of any heaven-born genius. Any scheme of efficiency that takes the heart out of the worker is a sham and a delusion. We must develop the human side as well as the mechanical side—the man and woman as well as the engineer or clerk.

Through efficiency we aim at results. Now there can be results which while on their face successful are as shallow as the kind of efficiency that secures them; that look merely to immediate financial gains, or, to go a step farther, coupled with financial gains, outward evidences of prosperity—as for instance, a handsome plant, spacious quarters, polished machinery, and all that. But unless you have looked far beyond these things into the public relations of your business, establishing your credit upon firm foundations, dealing with your customers frankly and justly, serving in a whole-souled and broad-minded way all the interests that center around your undertaking, your fine equipment and outward appearance of success are but another shell and the day comes when it will crumble and fall.

The public is coming to know and understand better many of our great industries. It will not avail for us to scream from the housetops that we are virtuous, but what will count will be genuine efficiency of management, frank dealing with the public, and the discharge by managers of great enterprises of those duties of citizenship which so many of us at times are prone to neglect.

Efficiency, public service—neither will be secured by a multiplicity of laws or a multiplicity of organizations. We overdo the matter of law-making about one thousand per cent. As to organizations, the proportion is so large I would not undertake to compute it. I believe in organized effort, but I do not believe that where two or three are gathered together it is necessary to have an organization. Every thought that enters into the mind of man seems to be organized now with

a secretary, treasurer, board of directors, an executive committee, and countless sub-committees. As soon as it starts business it begins to circularize the universe, and you and I receive these products of the human intellect, so-called, in our morning mail. Blessings upon the head of the man who invented the waste-basket! His birthplace should be sought out and commemorated and his statue should adorn the public squares of our principal cities!

Another obstacle in the way of efficiency is the habit we have of wasting our energies on non-essentials. For example, in every community there are some people who are not happy unless they are getting up some kind of public celebration. No event in the past is too unimportant to serve as an excuse for an elaborate and costly celebration, with its pageant, parade, banquet, souvenir program, and the like. The private citizen, as well as the city, state, or nation, is solicited to contribute, and can not well refuse. Often the newspapers get out special editions. Fairs, expositions, anniversaries follow each other in bewildering confusion, and there seems to be no end. Now everybody will admit that there are certain outstanding events in our history which ought to be commemorated in a fitting manner, but like so many things really commendable in themselves we are tempted to push them to extremes and thus bring the whole practice into disrepute. I wish we might exercise a little more moderation and restraint in this direction as well as in some others.

Nor will efficiency or satisfactory results be secured by unwise restrictions which interfere with individual initiative, a tendency which has become too marked in recent times. Much of the legislation of the present day seems to proclaim the doctrine that prosperity must be shackled by a multitude of restrictive laws, rules and regulations; that individual success is a national peril; and that business can be developed and wealth created by suppression of profits. But the truth is that it was the open field and freedom of individual enterprise that pushed civilization across this continent, built our cities, bound the country together with railroads, and filled the banks and saving institutions with the money of the business man and his employees. Certainly no one would now contend that the abuses which grew up in connection with this wonderful

commercial growth should not be removed by the most effective means; only, in removing them, we must guard against an excess of zeal which would subordinate the life of the patient to the success of the operation.

But what a relief it is, when one has such reflections, to turn to the work of an organization like this as one of the exceptions. Founded upon simple lines, conducted with sanity and judgment, helpful to its membership and helpful to the public, consulted alike by those engaged in the industry it represents and by governmental agencies representative of the public it serves, all who deal with it are assured that its management is an open book and its conclusions wherever given the result of honest, painstaking and intelligent effort to make progress along the lines of truth and justice.

LORD CUNLIFFE, BARON OF HEADLEY

THE BANK OF ENGLAND

[Lord Cunliffe was governor of the Bank of England 1913-1918 during the World War. He was born in 1855; educated at Harrow and Trinity College, Cambridge, and became Director of the Bank of England in 1895. He was created First Baron of Headley in 1914. Upon our entrance into the War he visited the United States as an envoy from his country. This address was given before the New York Chamber of Commerce May 12, 1917, at a reception tendered to Mr. Arthur J. Balfour, Lord Cunliffe, and other members of the British Mission.

In introducing Lord Cunliffe, President Outerbridge of the Chamber of Commerce spoke as follows:

GENTLEMEN.—MR. BALFOUR'S slip about the ladies reminds me that when I first went to London as a young man I was fortunate in securing an introduction to a distinguished lady there. She was not very young, in fact she was rather old. Indeed she was quite gray. She was not very tall and in some aspects she had a rather forbidding appearance; but everybody loved her, everybody wanted to know her; and not to know her and not to be known by her was to argue one's self unknown. This lady had a title but I do not know if history records who conferred it upon her, but the title is known the wide world round and it will never die. That title was and is "The Old Lady of Threadneedle Street." [Applause.]

The last time I went to London in the summer of 1913, I was happily enabled to know her more intimately because at that time the Deputy Governor of the Bank of England was an old personal friend and business correspondent of mine.

Visiting the many departments of this great establishment, seeing its organization, the immense ramifications of its business, the enormous figures which its transactions reached, and hearing the history of how a few of the great financial crises had been handled, gave one an increasingly clear idea of how this Lady had become the Mistress of the financial markets of the world. Then I was taken into what was called the "Curio Room."

Among many interesting exhibits were two that particularly interested me. One was a Bank of England note that had been found in a book in a gentleman's library, where it had evidently been placed as a marker one hundred and fifty years before, and where it had re-

mained undisturbed until for some reason this book was taken again from the shelf, when it opened at this place and the note was found, presented and promptly redeemed in gold at the Bank, and I believe it established a precedent as being the only note that had not been destroyed after a certain time had elapsed after its redemption.

I was also shown a frame containing two plates of glass between which were a number of little pieces of burnt parchment. These were fragments of a Bank of England note that had been gathered from the ruins of a fire and as it had been possible under the microscope to identify the tracery of the numbers on these bits of paper, which established it as a note of the Bank, the owner was enabled to receive gold in payment therefor. [Applause.] But Gentlemen, these exhibits and their redemption we now know were not really curios, they were merely everyday symbols of the high honor and noble character of a Nation which is pouring out billions of treasure and is willing to sacrifice its last sovereign and its last son in the support of an obligation which another nation equally obligated has called "Nothing but a scrap of paper." [Applause.]

The steadiness with which the shock of war to world finance is met, the marshalling of the financial forces of a great nation and their use and distribution in the war's conduct, requires financial generalship of as high an order as is required of military and naval generalship in the handling of their forces.

Also I would remind you of that splendid old custom in England, an hereditary custom which has always been at once the admiration and the envy of every American man, namely, that the Englishman is Lord and Master in his own household; and so this Lady Mistress of financial marts has had her Master, this great center of mobilization of financial resources has had its General. He, too, like the banknote previously referred to, has broken a record in the history of this great Institution by having been elected to serve a third term and is now in command for a fifth year. [Applause.]

I now have the honor to present him to you, the LORD CUNLIFFE of Headley, Governor of the Bank of England. [Applause.]]

MR. CHAIRMAN AND GENTLEMEN OF THE CHAMBER OF COMMERCE:—To you I need not apologize for my share in this great war, although my part was not perhaps in the great affairs, but in the somewhat,—I was going to say the despised, but not quite that,—the ordinary and not always well considered part of arranging for the ways and means. Here in this great assemblage of business men, I feel that I shall have at any rate a patient hearing, and not be expected to attempt to popularize or try to explain the efforts that have so far been made to secure your help, but I do say that the result has been most successful.

Perhaps we might deal with the ways and means, as we will call it, of finance, in three classes: Finance proper—that is the collecting of the money; the issuing of prospectuses for the loans; and the dealing with the money that comes in. That has been my particular work, aided by the good Old Lady of Threadneedle Street that your Chairman has so nicely alluded to, together with all the officers there. Of course, I am not able personally to do very much of it. It was rendered extremely difficult by the foreign exchange, and the care we had to devote to it. Those cares, I hope, have practically been taken from our shoulders by your great nation. I say practically, but not entirely—at least that is my view of the matter. Certain people—great financiers I believe,—before I left London, thought that the small committee called the London Exchange Committee, of which I have the honor to be Chairman, might now be dissolved; that there would be no further need for their services. I did not agree with that view, as I still believe that there will be ample scope for what talent they may possess.

In my opinion London should not now depend entirely on the United States. We should continue, as far as we are able, and to the end of our bent, to ship you gold, to sell you securities, and to try by every means in our power to pay fairly and squarely the debts that we have incurred in this country. [Applause.] That will at any rate be my endeavor, and I think that for our own sakes it is most important that we should strive as far as possible to keep money here cheap, in order that we may borrow it from you. [Laughter and applause.] I did not intend to smile, I was quite serious. Cheap money means good trade, if it is not too cheap.

I do think that as far as you are able, you should strive to carry on the great trade of this country, not only for your own sakes but for ours. I will be very sorry, as far as our financial problems are concerned, if we do anything to reduce or curtail the trade of this great nation.

I would refer for a moment to a statement which I heard in the House of Commons, just after the war began, when somebody in the course of a debate, twitted Mr. Lloyd George, then Chancellor of the Exchequer, by saying that although he was complaining of his arduous duties as Chancellor, he would not like to exchange positions with the German Chancellor. Well,

he agreed, and seemed pleased that he was not the German Chancellor; but I am not so sure that for the period of the war the English Chancellor of the Exchequer has not more difficult problems to solve than the German Chancellor. The exchange problem does not, I fancy, at present trouble the German Chancellor. Well, let us wait till after the war and then I hope and believe their difficulties will be increased a hundred-fold more than ours. [Applause.]

I was greatly honored by my government in being allowed to come out here. It has been the dream of many months that I should come to the States and see the people of whom I had heard so much. I was sent here, as you all know by this time, not for my power of making addresses and speeches, but because it was considered that perhaps I knew as much of the inner workings of our financial efforts in London as anyone else, and might be able to answer questions and explain what we had been doing as well as any of my neighbors.

I arrived in Washington just before the \$200,000,000 in Treasury notes were sold and the proceeds collected by the Federal Reserve Banks. They were good enough to go through with me the means they had taken not only to withdraw that money from the market, but to replace it on the market without delay. Gentlemen, the arrangements were so complete that I had not a word or a hint of a suggestion to give. [Applause.] It proves how extraordinarily complete those arrangements were, that the money rate here in New York in the morning was two per cent., in the middle of the day it rose to four per cent., and in the evening it went back to two and a half per cent. What more splendid financial transaction could be accomplished?

I have just returned from a visit to the Middle West where I have interviewed and talked matters over with prominent bankers and other men, and on every hand I found them only too anxious to do everything in their power to facilitate the enormous loans which you are asking for, and of which I hope you will give us a part. Everywhere they are getting up committees, arranging for extra clerks, taking additional floor space, and doing everything that with all my experience I could possibly have suggested. Indeed, from that point of view, my visit to the Middle West has been an absolute failure. I

have been of no use to anybody, and I am afraid I will have been of no use when I leave New York. You all seem to be thoroughly alive and prepared, without any suggestions from me. I hope my government, when I get home, will not ask me any pertinent questions such as: "Have you been of any use to anybody?" [Laughter.]

We divide the work of war into three parts: There is the fighting element, or, as we put it, the glorious spending element. It is glorious spending. We of the second element have got to find the money for it. They have to bear the kicks, the blows, the wounds, and perhaps even death. We don't grudge them the money. We have to put up with smaller incomes, and with much more work, but that is nothing. The army and navy must be first. They must be the ones to be considered first. After all, what matters? We must live our lives, we must carry out what we are here for, and the best way we can, and we must not grumble. The third part, the fixing of taxes, I am thankful to say I have nothing whatever to do with. Questions have been put to me since I landed here, such as what taxes should be levied? How should the taxes be levied? I am glad to say that I have nothing to do with that, for the Governor of the Bank of England at home is not even consulted in such matters.

Now, I am afraid I have delayed you a long time, but I would make this remark, gentlemen: Do not fall into the error which we did at home, of underrating our foe. I am afraid we did so at the beginning. Financially, I am certain we did. Our foes were well prepared. They had all their economies well cut out, planned and everything ready. They even had meat tickets and bread tickets provided. If we had only taken the thing up boldly during the first few months of the war we should be in vastly better position to-day. Of course, the same thing does not apply to you here in America, because you support yourselves and more than support yourselves with foodstuffs and the other necessities of life. We have to buy them all from you and from other countries. Therefore, it is very much more important for us to economize than for you. Still I would venture to remind you that nobody knows how long this war is to continue, and that if you are to put up the notice "Business as Usual," I would suggest that ex-

travagances should not be as usual. [Laughter and Applause.] If by any lucky chance the economies are not needed and the war should come to an end very soon, how easy it will be to slip back into the old ways and the old luxuries.

Gentlemen, as a great statesman or diplomatist always has to gauge the minds, the feelings and the hearts of the people with whom he has to deal and the country to which he is accredited, I think that all really intelligent business men should try to gauge the feelings of their clients and those with whom they come in contact. From the beginning of this war I tried to gauge the American mind, and was sure that sooner or later our countries would be together. At times when that awful bugbear, the "exchange," was going against us, and I hardly knew what to hope, there were times when I asked myself, can I be wrong? Can I have wrongly gauged the American heart? No, gentlemen, I am thankful that I was right: that we are to remain, not only we business people, but our soldiers and sailors, fighting shoulder to shoulder with one great object; to bring this terrible war to a glorious and definite termination. [Prolonged Applause.]



CHARLES G. DAWES

CHARLES GATES DAWES

BUSINESS ORGANIZATION OF THE GOVERNMENT

[Charles Gates Dawes was born in Marietta, Ohio, in 1865. He was admitted to the bar in 1886. He was Comptroller of the Currency in 1897-1902 and has been President of the Central Trust Company of Illinois since 1902. He was commissioned Major of the Engineers in 1917, served in France and later became brigadier general and general purchasing agent for the A. E. F. His great services in the War led to his appointment by President Harding as director of the Federal Budget System in 1921. Mr. Dawes entered upon his task with vigor, and his outspoken and picturesque speeches won the immediate attention and approval of the public. The address which follows was made at the second semi-annual meeting of the Business Organization of the Government held in the Continental Memorial Hall in Washington.

President Harding was the first speaker and at the conclusion of his address he spoke as follows:

I wish I might personally express appreciation and gratitude to every individual member of the coördinating forces and all of those who have been contributing to the notable success of the Budget. Sometimes, ay oft-times, the Government compensates inadequately, and there is scant expression, if any, of that gratitude and appreciation which have been so well earned; but there must come to you that finer and dearer return which is the highest compensation men may know in the public service—the consciousness of a good work accomplished.

I suspect sometimes there are public servants in more conspicuous positions who find themselves momentarily discouraged by a lack of public understanding of the difficulties of their tasks and an ungenerous appraisal of things accomplished. Sometimes it is partisan, sometimes it is ignorance, not infrequently it borders on the malicious, which is designed to create unrest, and when I contemplate the unresisted flow of extravagance and the tendency to drift the ship of state on the rocks of bankruptcy which is far too prevalent throughout the world, I must express to every one of you and to all in authority who have assisted you my appreciation for the splendid work done in bringing the Government business activities back to a state which intelligence may approve.

Perhaps other Governments were brought to greater strains of ex-

penditure and more difficult financial straits through their more intimate and heavier burdens of war; and notwithstanding that fact, and that we have suffered less comparatively, I doubt if any Government in the world has made a more persistent and conscientious endeavor to cut down its expenditures and institute economies and restore sane and normal ways again.

You have inaugurated a very practical work of exceedingly great importance, and the results have been so gratifying and have proven of such advantage to both the Government and the public that I am taking this opportunity of openly uttering to you the assurance of my appreciation and gratitude.

Now, if I may, I want to call to the presiding position the one genius whose devotion and personality and capacity have been the inspiration of the great success of the budgetary system, Gen. Dawes. [Applause.]

MR. PRESIDENT, GENTLEMEN OF THE COÖRDINATING BOARDS, AND MEMBERS OF THE BUSINESS ORGANIZATION OF THE GOVERNMENT:—It is a great handicap to a business man, in a business meeting, called to discuss routine business, to have this kind of an introduction; to be surrounded by this intangible, imponderable atmosphere of dignity and restraint which pervades important Government gatherings and which, unless dissipated, always interferes with the proper meeting of minds in business conference. The members of the business organization of Government gathered here must not think of business in its relation to personal dignity or in its relation to personal prerogatives just because it has been done in Government business for over a hundred years. Despite these formal surroundings, despite the depressing psychology of a gathering of very high Government officials, I must regard the President of the United States here to-day, not as one engaged in carrying out great policies of State, or the members of the Cabinet as his advisers upon these great policies, but as the head of a routine business organization and the members of the Cabinet as nothing but the administrative vice presidents of this organization, who heretofore, because of the absence of leadership and because of a system for which they were not to blame, have, with their predecessors, allowed a disgraceful and extravagant system of routine business to obtain in this Government for 130 years—a condition which President Harding started to rectify when, last June, six months ago,

he called together the first meeting of the business organization of Government in the 130 years since its establishment.

There is no reason why, because the Government of the United States does the largest business in the world, it should be the worst conducted. What I want you to do is to listen to a discussion of simple business principles in a simple way, just as if we were members of a smaller corporation, meeting not in the peace conference room, but in a business office, with only ordinary men around, discussing only ordinary things—to get attuned to that kind of an atmosphere—and not to have our thoughts diverted because the President of the United States is here, or the press is here, or all these uniforms are here, and all these other conditions that do not embarrass an ordinary business meeting.

Now, at the first meeting of the Government business organization last June the President assumed, for the first time, his position of responsibility as the head of the business organization of Government. At that time there was no adequate machinery in the hands of the President for the transmission of Executive will and policy in the matter of routine business to the body of the business organization. That first meeting, therefore, was devoted to an effort on the part of the President to arouse the business organization to the overwhelming necessity for economy in governmental expenditures—to bring to each man the essential fact that he would be held personally responsible for participation in such a program. He let you know then that at the end of the year he would check you up, just as if he was in charge of a private business organization, to find out whether you had carried out his policy. That sort of pressure had its effect upon this great organization, and at the end of 30 days, during which you made a careful examination to determine the possibilities, you promised him that you would reduce your expenses in the sum of \$112,000,000 per year. He continued this pressure, having in the meantime established agencies for such continuing imposition in the shape of these great coördinating boards, the representatives of which sit before you.

At the time the President commenced this effort the forecast of governmental expenditures for the present fiscal year, made by the heads of departments and establishments who had form-

ulated their demands before Executive pressure had been instituted, amounted to the sum of \$4,550,000,000. As a result of pressure, the President was able to announce in December that, instead of a reduction of only \$112,000,000 first promised him, the reduction, including \$170,000,000 of public debt postponement, would be nearer \$576,000,000, and that we would undertake to run the Government for the fiscal year 1922 on the sum of \$3,974,000,000 instead of \$4,550,000,000.

The imposition of Executive pressure immediately removed the chief cause for the riotous extravagance in Government business which had theretofore run without a head, and where the chief object of every man connected with it seemed to be how much money he could get for the plans of his individual department, instead of how little he could get along with in carrying out a policy imposed by the President, who thought in terms not of departments, but of one Government responsible to the public.

After this first meeting of the business organization, where, just as in private business the President imposed policy, there followed the creation, by Executive order, of these coördinating agencies, which not only transmit Executive policy and plan, but which become gatherers of information as to the business of Government from the bird's-eye view, which, presented to him, assists him in his formulation of a unified policy. What the President did in creating these coördinating boards was a simple thing in the business world. He selected, not from strangers, but from the body of the existing business organization, men of experience in the business, with acquaintance in the business, with qualifications developed by continued contact with the business organization, and formed committees, imposing over them the authority of an agent representing Executive authority.

There is no finer body of business men in this country than these underpaid men of talent confronting me, who find in their public service a satisfaction which private employment cannot give. Let me say something here. These coördinating boards are not boards in the common acceptance of that word. They do not act as boards, either by majority vote or otherwise. They have no personnel. Authority lies only in the Chief Coördinator, who presides over them, acting under

Executive authority. His power lies through orders of coördination alone, and from his orders there is always preserved the right of appeal of the head of a department or establishment to the Chief Executive himself. I mention this because these coördinating agencies have been established in accordance with law, and all the steps in the reorganization of the routine business of Government have been taken with most careful regard to existing law. It may not seem so, but we in the Bureau of the Budget try to be the most cautious people in Washington. Every time we consider a new move we expect to have some old and forgotten law confront us which, if we walk over it, like a mine in the Argonne battle field left by the enemy would explode under us. In every important step taken before we act, we secure a departmental interpretation of law, and I say to you now, with deep regret, that in connection with official interpretation of law the mental status quo of legal advisers often seems one of enthusiastic support of the old status quo in Government business and in the interest of the plans of departments as distinct from the new plan of a unified system for the whole Government.

Until the President assumed his attitude of responsibility for a unified plan, the attitude of everybody from Cabinet, department heads, and bureau chiefs down to clerks has always been one of hostility to anything which interfered with the plan of their separate jurisdictions, irrespective of the demoralizing effect of such an attitude upon the business interests of the Government which they have sworn to serve. They have not been to blame for it; lack of system has been to blame for it; and for that lack of system the past Presidents of the United States have been to blame, for any one of them could have established a proper system.

The suggestion was made by some one the other day that in selecting these coördinators and agents from the body of the business organization to transmit his policies it would be impossible for the President to get men who would give him impartial judgments in connection with the imposition of a unified plan of business, because of their former allegiance to the particular department from which they were chosen—that he could not depend upon them for that absolute impartiality between the departments which is necessary in the work to

which he called them. What folly! Has the President of the United States less power over his business organization than the president of a private organization? Need he be afraid, with his immense powers over personnel, including the heads of departments and establishments, to rely upon the loyalty of these agents? As the head of a bank, in selecting agents to transmit my policy, would I hesitate to call into my office service a man from the trust department, or the foreign exchange department, or the discount department, to use him in gathering information and transmitting policy, because I would fear that this man would be more loyal to the head of the discount department, or the trust department or the foreign exchange department than he would be to me, and would I, therefore, go out into the street and hire Tom, Dick, and Harry, who knew nothing about the business, to do the work in his place?

The only reason we have gotten anywhere in this business reorganization of government is because we have not only completely absorbed, but I say completely demonstrated, the truth that the proper machinery with which to run governmental routine business must be similar to the machinery to run private routine business.

I say "demonstrated" because the President has told you that these coördinators, who are already in the Government service, and who, in the aggregate, draw only \$109,000 per year compensation, have, in about four months, effected measurable direct cash savings to the Government of over \$52,000,000, and directly and indirectly about \$100,000,000.

In routine business there should always be but one head. In our republican form of government our Constitution provides a system of checks and balances which protects the liberty of the people in connection with the determination of governmental policy. In a free government like ours there is no central control in determination of general policy, but after policy is established under the methods prescribed by the Constitution, then in the routine business of government, concerned with the expenditure of money to carry out policy, the principle of one central control must obtain or you will go back to the riotous extravagance which has characterized governmental routine expenditure in the past.

We in the Bureau of the Budget are not concerned with

matters of policy. The President, advised by the Cabinet, and Congress determine the great questions of policy. As for us, we are men down in the stokehole of the ship of state, and we are concerned simply with the economical handling of fuel. The President and Congress determine which way the ship sails, for that is a matter of policy, but we in the hold of the ship have something to do with how far she can sail through the way in which, in our humbler place, we apply common-sense business principles.

These coördinators do not have their eyes upon the press gallery. And here I want to say something to the representatives of the press here present, as an expression of my deep appreciation of the fact that they have treated this new system of coördinating routine business in a constructive way—that they have not bothered it in quest for scandal. You members of the press, as faithful American citizens, are just as much interested in the success of this effort to save money for the Government and to increase efficiency as is the President of the United States or the Director of the Bureau of the Budget, and you are showing it. It would be possible for you to do incalculable damage if you were so minded, but, Heaven be thanked, we have been spared the attention of the destructive newspaper critic—that kind of destructive critic who encourages public men to exploit their pitiful personalities at the expense of the public service by throwing monkey wrenches into usefully moving machinery. I would as soon invite one of that kind of newspaper men to a business meeting like this as to put rat poison in my breakfast food.

Now that we have this formal atmosphere dissipated and are down to matters of plain business common sense, just as if we were sitting in an ordinary business meeting, I am going to talk with perfect freedom to the members of the Cabinet as simply members of this business organization. I confess it is not easy to regard Secretary Hughes, for example, as anybody but the great Secretary of State, who, in the last few months has done so much for the world and for the future peace and happiness of humanity. That is the trouble down here in routine business. That is the trouble that our coördinators have. We have to rid ourselves of the idea that because Mr. Hughes is a man to whom the President of the United States and the

world owe a debt he is not a proper subject for that power of Executive control which, in his capacity as one of the administrators of routine business of Government, must tie him into a routine business organization and enable him to save money. Mr. Hughes is so intelligent that we have no trouble in our relations with him. But this is not saying we do not have trouble with some officials of this Government in less important positions.

I do not want to compare for a minute our work down in the stokehole of the ship with the work of those who are bringing better conditions of life and safeguarding the tranquillity of the world in connection with this peace conference, but I will say to you that in our work we will save to the taxpayers of the country every year double the amount that can be saved by the plan for the limitation of armament. And these business matters are, therefore, important enough to properly engross the attention of even the Secretary of State, the Secretary of the Navy, and every other member of the Cabinet.

I want to say here again that the Budget Bureau keeps humble, and if it ever becomes obsessed with the idea that it has any work except to save money and improve efficiency in routine business it will cease to be useful in the hands of the President. Again I say, we have nothing to do with policy. Much as we love the President, if Congress, in its omnipotence over appropriations and in accordance with its authority over policy, passed a law that garbage should be put on the White House steps, it would be our regrettable duty, as a bureau, in an impartial, nonpolitical, and nonpartisan way to advise the Executive and Congress as to how the largest amount of garbage could be spread in the most expeditious and economical manner.

That is not humorous. That is intended to serve notice on those who would seek to make political capital against this routine business reform of the President that the success of the Budget Bureau depends upon our integrity and sincerity in a determination to be nonpartisan, nonpolitical, and impartial. Whatever may be the political complexion of Congress, or the party affiliations of a President, this impersonal business agency of the Budget Bureau, and these coördinating boards, concerned not at all with policy, must endeavor to see that the

money of the Government is spent in the most economical manner in routine administration along the lines of policy which are adopted by those charged by the Constitution with the duty of imposing them.

Now, let us look for a minute at a business matter. I have a criticism in my system which I must get out of it. And in this connection I must speak directly to the members of the Cabinet here, because in connection with this matter they are simply administrative vice presidents of a business organization, and as a representative of the President, charged with pointing out things that are wrong, it is my duty to talk to them in this way.

I want to say first that I have no complaint to make of the splendid coöperation that we have had from the Cabinet. At the same time I do not hesitate to say that the reason why this Cabinet, in distinction from all others which have gone before, are coöperating in unifying routine business of the Government is not because their human nature is different from that of their predecessors, but because their personalities are irradiated by the determination of the Chief Executive to bring about common-sense methods in governmental routine business. It is right for me to say that. I look upon your attitude as determined by the attitude of the President, and you would fail in the matter of coöperation with the President were it not for the existence of these coördinating agencies.

What I want to do in this discussion is to take, once and for all, from the realm of debate the principles underlying these coördinating agencies, the question of their necessity to the Cabinet as well as to the President, and their success in accomplishment. Now I am going to take an illustration from the Navy. I want to say, to start with, that I have nothing but a feeling of gratitude to you, Mr. Denby, and to your staff for the fine coöperation you have given us in our work. But I am going to show you by an illustration how you would have been unable to coöperate with the plan of the President had it not been for these coördinating boards. In connection with the Navy we have a bird's-eye view—as with all departments—of its relation to the whole Government business situation. The Coast and Geodetic Survey, which is a part of the Department of Commerce, needed two ships, and I wrote to the

Secretary of the Navy, asking that he agree to the transfer of two mine sweepers from the Navy to the Coast and Geodetic Survey work.

I got back a letter from the Assistant Secretary of the Navy, stating that the Navy would not agree to release the ships. Now, under the old régime that would have ended it, but under the power which the President has given us to make a picture of the whole situation, we had information that the Secretary of the Navy did not have; and so, as the President's agent, I called over to my office the Assistant Secretary of the Navy. From information gathered by the impartial coördinating agents, I was able to tell him that the Navy had 49 mine sweepers in their possession, which were going out of commission; that their deterioration would be more rapid out of commission than in commission; that if they were loaned to the Coast and Geodetic Survey, these two mine sweepers would be kept in commission and, therefore, would not deteriorate so rapidly; that if a war should arise the Coast and Geodetic Survey could transfer them back. But, what was still more important, I told him that if the Navy did not transfer these mine sweepers to the Coast and Geodetic Survey, the President would have to ask Congress for an appropriation of \$1,000,000 to build new ships. The Assistant Secretary then took the letter back to the Navy Department and sent another one, acquiescing in the issuance of an Executive order transferring the mine sweepers to the Coast and Geodetic Survey. It was unnecessary for me to take this matter before the President, because the presentation of the bird's-eye view of the situation to an intelligent Secretary of the Navy resulted in this agreement.

But let us go a step further. When the Coast and Geodetic Survey went to get the ships they found them in process of repair, with engines disassembled. It developed that it would cost \$10,240 to assemble the engines and place the ships in repair so that they could be used by the Coast and Geodetic Survey. Accordingly I wrote the Navy Department asking them to spend the \$10,240 on the ships, since the Coast and Geodetic Survey had no appropriation which could be used for this purpose. The Navy Department again answered declining to repair the ships. Now, I am not criticizing especially the attitude of the bureau chief who was responsible for that decli-

nation. His mind was set upon saving money for the Navy, and it had never been directed toward the question of saving it for the Government, except as he might save it through the Navy. We had asked him to economize and save on the Navy appropriation, and he naturally did not want the money spent for something that did not accrue directly to the benefit of the Navy as he saw it. So again I called the matter to the attention of the Secretary of the Navy, pointing out that the saving of \$10,240 of expense to the Navy to put these ships in proper condition, since the Coast and Geodetic Survey had no appropriation to do it, might result in a loss to the Government of \$1,000,000 to build two new ships. The Secretary of the Navy then wrote saying that he would be very glad to put the ships in repair before delivery. Now in this matter we were doing a service to the Secretary of the Navy as much as we were to the President of the United States and to the Government of the United States, for we gave the Secretary of the Navy information which he would not have had otherwise, so as to enable him, by his action, to serve the best interests of the Government in a common situation.

How is it possible to run the routine business of the Government right unless these coördinating agencies are in existence to give the bird's-eye view of any given situation, so that the real interest of the Government in any transaction may be developed? Now, we have had fine coöperation from the Navy Department in the larger matters, and the President has transferred millions of dollars worth of ships from the Navy, with the acquiescence of the Secretary of the Navy. The higher officials of the Navy Department have shown the right spirit. I want to emphasize this, because I am now going to criticize an action of the Navy Department as indicating, along down the line in a particular instance, the lack of a proper spirit of coöperation.

Now, when I mention this do not forget that the Navy Department is the only department of the Government which has an audit of material; that Admiral Coontz was the first man, after the inauguration of the Budget Bureau, to send to his organization an appeal for renewed efforts for economy; that we have no criticisms to make of Secretary Denby and his department as a whole. As a rule, I do not think it is either good

strategy or good economy to invoke the aid of pile drivers to smash fleas. But the example which I am going to give you, while it concerns a small matter, shows a lack of a spirit of co-operation which must be done away with, through Executive force if necessary. As coördinators, and not concerned with departmental administration, we have no power to fix the specifications in regard to material which you, as Secretary of the Navy, find it necessary to buy. But under the law we are charged with bringing to the attention of the Executive the necessity for improvements in methods of business wherever we find them. I am bringing to his attention an instance of a too rigid stand upon a technical departmental right, which has characterized only a few of our governmental officials since the inauguration of the President's reform, notwithstanding it characterized the attitude of practically everyone before it was inaugurated. I will say here in the Budget Bureau we try to be patient and we try to be humble. So far we have not made a charge against any of the departments for a lack of coöperation to the President of the United States. My coördinators and I take our hats in hand and go around to the departments and try to stop trouble, and to plead for reasonable action, in order not to be justly charged with the misuse of the great authority which the President has given us.

Now, hand me those brooms. [The speaker was handed two brooms.] This may look like stage play, but it is not, because things like this have got to stop. Here is a Navy broom, made in accordance with Navy specifications. Here is an Army broom, made in accordance with Army specifications. Do you see much difference? As a matter of fact, the Navy broom is a little better than the Army broom. But what would you think of any business organization which would buy 18,000 of this kind of broom, as the Navy did, when it could have had 350,000 of this kind of broom for nothing? Suppose a thing like that had occurred in a private business organization? Would it ever be necessary to bring it before the entire body of the business organization at a semiannual meeting as an example to be avoided? I tell you, as a business man, that if a thing like that occurred in a private business organization, the mere knowledge of it in the body of the business organization would drive the man guilty of it out of his position. It was not you,

Admiral Coontz, who was responsible for this, but some official along down the line who stood on his technical rights, although he could not but know that by so doing he was involving his Government in an unnecessary loss.

Now, the Marine Corps was in the market for shirts of a certain specification, and after about a month Col. Smither induced them to take 100,000 Army shirts instead of buying them in the outside market, and by so doing made possible a saving of \$24,000. That seems small, and yet it was about one-fourth of the annual cost of these coördinating agents, who have saved directly and indirectly about \$100,000,000 to the United States Government in a little over four months. We have to get the proper perspective in these things, and realize that the great savings come by making a large number of small savings. These small things involve great principles, and let nobody suppose that the President is not now in position to take notice of the relation of important small things to important great things. He knew I was going to speak about these brooms to-day.

This reorganization of the routine business of Government is not something which is going to take place, but it has already taken place. I have had to mention flyspecks here, but fortunately, as compared with the results accomplished, they are only flyspecks. The general spirit of coöperation has been wonderful. Over \$112,000,000 of surplus property of the Government has recently been transferred interdepartmentally. Yet at first I occasionally heard apprehension expressed by those connected with particular departments as to the effect upon their departments of the loss of the services of these few men who went on duty under the President as coördinators. Their protest reminded me of the plaintive call of the disturbed peewit when the underbrush in which it nested was being cut down to make way for some great public improvement.

In the light of the transfer of \$112,000,000 of property, with a direct saving to the Government of \$32,000,000, the proportion of this saving to be allotted to each particular department makes the amount involved in these salaries too trivial for them to talk about. Let us hear no more about the injury to the units in the magnificent results achieved for the whole. It has been necessary to bring everybody here to a realization of

what has been done and is being done; to let them know that no instance of a lack of coöperation is too small to be brought to the attention of the Chief Executive. At the end of the year he will make up his efficiency report, never fear.

The members of this business organization must show a proper spirit of coöperation which is enjoined upon us by the President and in which 98 per cent. of you are now enthusiastically joining with him. If the other 2 per cent. along down the line who have been worrying the life out of our coördinators, do not take notice of this now they will certainly be brought to a realization of things by the Chief Executive. The same situation which the Chief Coördinator, General Supply, finds here obtains, for instance, in the United States Steel Corporation, or in any corporation which is made up of a large number of widely distributed units. This system of reorganized governmental business is such as obtains in private corporations. Do not let anybody suppose that a corporation like the United States Steel Corporation doesn't have to deal with similar situations to those which pertain in governmental business administration. If they want to transfer surplus supplies from a subsidiary like the Illinois Steel Co. to the Carnegie Steel Co., do not think that they make the shop superintendent of the Illinois Steel Co. any happier than these bureau chiefs feel when material is taken from them and transferred to another department. A company like the United States Steel Corporation has a system of coördinated control by which a unified plan of business is imposed, and by which a bird's-eye view of the whole situation can be obtained. But our coördinators often have a much harder time in dealing with the bureau chief than a coördinator of the United States Steel Corporation has in dealing with a shop superintendent. It must be understood that even a lieutenant of the Army or Navy, whom the President has selected as a coördinator, is selected because of his ability and will be used as his agent in accordance with his ability, not necessarily in accordance with his military or Naval rank. It doesn't follow either, as a matter of course, that because a man is of high rank he is a man of high ability. In a business corporation we pick a man to handle brooms and soap by what he knows about brooms and soap, and not because of the markings on his shoulder straps. And however

rank may decide the allotment of work to men inside departments, I assure you that ability and qualification for their work govern the President in his selection of coördinators. When the President selects them and clothes them in routine business with a portion of his authority, they must have the right of way, and they are getting the right of way in their work of developing information which will enable the President to continue common-sense methods in handling routine business.

We would not have the effrontery to suggest a change in the specifications of important technical material, but we have established a commission for the standardization of specifications, and there are a lot of standard articles which must be brought to standard specifications between the different departments. In order that the rights of the departments, can always be considered, if any member of a department differs with the coördinator dealing with standard specifications, nothing can be done until the matter comes up to the President of the United States for a decision, who can then decide the matter with full information, not only as to the effect of any prospective action upon the department, but also as to its effect upon the Government as a whole.

To continue this great work we must all become imbued with the spirit of the President of the United States, who represents a people whose backs are bent under an immense load of taxation. Any matter which has a relation to the success of this task of the President of the United States is not only important enough to be discussed by members of the Cabinet and the body of the business organization, but it is important enough to inspire in every loyal citizen here—for we are all citizens first—a determination to live up to that high standard of effort which patriotism and love for country should always inspire in one in public service. The spirit of coöperation, in the vast majority of cases, will immediately come with a realization of how duty can best be done and under this system it is easy now, for the first time in the history of our Government, for a man to find out how to do his real duty in the routine business of our Government.

I am going to be perfectly frank and mention another disadvantage which the routine business organization of Government contends with. How is it possible for these Cabinet

members, occupying their positions for much less than four years on the average, as experience shows, brought suddenly into control of a business of enormous magnitude, with which they have had no previous familiarity, consisting of many unrelated activities, engaging the services of tens of thousands of people occupied in technical activities of the most diversified kind—how can these Cabinet members really be very efficient in connection with discerning control of the routine working of their departments. It would take an ordinary business man almost a lifetime to properly familiarize himself with the routine business of any one of these great departments. And then, in the case of the Cabinet members, their time is largely concerned with the consideration of general policy as advisers to the President. They often go out and make speeches in explanation of policy. They might be diverted and distracted by pressure for patronage. We might as well get down to brass tacks and face facts. These Cabinet members, to enable them to intelligently perform their duties, have to have the help of men who have been connected with the business for years not only inside their departments but through these coördinating agencies of ours outside their departments. I think the members of the Cabinet realize this. Ask a business man like John W. Weeks, of the War Department, who goes to his office at 8 o'clock in the morning and works steadily through the day, about our coördinating agencies and their usefulness to him.

I can not let this occasion pass without a tribute to the magnificent coöperation of the War Department, through Secretary Weeks; the Chief of Staff of the Army, Gen. Pershing; and the Assistant Chief of Staff, Gen. Harbord, without whose assistance, advice, and coöperation our work could not have properly progressed.

There should be no natural antagonism on the part of any of the independent services to the President's coördinating services. Take the Secretary of the Treasury. Andrew W. Mellon is a business man, and no one is more anxious to recognize correct business principles than he is. Mr. Mellon will tell you that in his great department he has been able, in a year's time, to touch only the fringe of its routine activities. His back does not arch and his fur go up when our coördinators call on him. They called his attention to the fact that there were from 18 to

23 separate points of purchasing activity in the Treasury Department. So far from resenting the suggestion that these be coördinated so that the representative of the Treasury Department on the general coöperating board could properly speak for all the purchasing activities of the Treasury Department, he asked the Chief Coördinator, General Supply, to suggest a plan for its proper coördination.

Every department head should immediately give attention to coördinating his own department along the lines of the general coördination efforts now in progress by the direction of the President. The attitude of members of the Cabinet is, in our experience, that when a coördinating agent brings them information they seek to profit by it. And I say that along down the line of business administration of Government, wherever arrogance or dignity or personal pride seeks to shut the door against the acquiring of information, there is real disloyalty to the President's plan. Pride of opinion is the great enemy, and humility in the presence of knowledge is the great ally, of all real progress in business.

In closing, I want to speak once more of the general results on the expenditures for the first six months of the fiscal year 1922—a matter to which the Budget law was not assumed to apply—of the imposition of Executive pressure by the President for economy and efficiency. It has taken the Budget Bureau a full month to determine, even in a general way, whether these six months' expenditures are within the forecast of \$3,974,000,000 total expenditures for the year as compared with the \$4,550,000,000 which the departments had at first stated was necessary.

And let me stop right here, in the presence of the Secretary of the Treasury, to criticize the disgraceful and archaic system which characterizes Government accounting. Gen. Pershing will remember that when he and I lived in Nebraska, about the time of the panic of 1893, a great many small merchants and business men out there kept only one book of account, and that was their check book. In other words, the only accounting knowledge which they had of their business was through their cash account. Whatever cash came in was treated as income. Whatever cash went out was treated as expense. After the panic of 1893 the sheriff took charge of what was left of the

assets of most of these men, and out of that hard experience those of them who went into business again adopted better accounting methods.

The Government of the United States, like these merchants, has no balance sheet. For 130 years since its establishment the Treasury Department, acting for the Government, has kept only a cash account, and publishes only a cash account. What comes in is called income. What goes out is called expense. To illustrate—when the War Finance Corporation loans money for which it takes good security, and for which it retains a bill receivable, the money is checked out of the Treasury to make the loan, and the Treasury lists it as an expense. When the Government sells real estate, which is a reduction in capital investment, it credits income. As a result of this archaic method, it takes a set of experts, at any given time, to inform the President or Congress as to what are the real expenditures of Government or the real income of Government. The same kind of bookkeeping formerly existed in the Shipping Board, but Lasker got out a balance sheet notwithstanding. There is nothing impossible about its correction. You do not want to allow a condition to exist in Government accounting under which it takes the Budget Bureau several weeks to figure out whether the United States Government, for the first six months of a fiscal year, is living within its income. Get out your balance sheet, the capital items of which must at first be largely estimated. But it will be a starting point. The capital items can be corrected through gradual inventory. But from the time that balance sheet is started, so far as the current relation of real income and real expenditure is concerned, the Executive and Congress and the public can be kept informed.

Now, the best investigation which we can make shows that during this first six months we have lived within our forecast of \$3,974,000,000 expenditures. I am very hopeful that the end of the year will show that we have more than done it, because I believe that the President's attitude in connection with economy and efficiency is being met by a loyal spirit of co-operation on the part of this great business organization, which has extended, through its influence, all over this great country. . . .

All this great work of coördination in all governmental

routine business, notwithstanding the immense results already accomplished, is but in its inception. It has been my purpose to explain its importance; the fundamental nature of the principles which underlie it; its immense influence on the proper conduct of the business of the Government, both in the present and in the future; its absolute necessity as providing the only agencies in the hands of the President by which he can carry out his responsibilities as the head of the business organization. When the President becomes indifferent to this duty, and not until then, will its existence be in danger. With all the great burden of national and international policy upon his shoulders he will still do his full duty to this organization. Shall not we all endeavor to do our duty to him and to this great Government which it is our privilege to serve? Will you not all rise with me while I pledge him again our united effort? [The entire audience rose. The President of the United States, followed by the Vice President and the members of the Cabinet, then rose.]

Mr. President, speaking for the body of the business organization of Government before you, for the Chief Coördinator, General Supply, and his staff, your agents, and for the activities represented here, we pledge the best that is in us to your service and that of the Government.

We pledge ourselves to carry out your policy of economy and efficiency in the conduct of the routine business of Government—to watch for small economies, knowing that in a business as great as this their aggregate will be enormous—to redouble our efforts to have the particular work in which we are engaged so carried on as not to handicap other departments to the detriment of the interests of the unified plan and method which you impose upon us—to look upon our work from the standpoint of good citizenship—to give to you and this Government which we love so well, as good, if not better, service than is commanded by private enterprise—to stand together, as man to man, in a common effort for a great common cause under your leadership.

THE PRESIDENT. I thank you very much, gentlemen.

CHAUNCEY MITCHELL DEPEW

A HALF CENTURY WITH A RAILROAD

[Mr. Depew is one of the most accomplished, versatile, and experienced of American orators. He has delivered orations on notable occasions such as the opening of the Chicago Exposition in 1893 and the unveiling of the Statue of Liberty in New York Harbor. He has spoken in our legislative bodies and on the stump, and he has long been known as one of our wittiest and most graceful after-dinner speakers. In late years Mr. Depew's speeches have taken on a reminiscent cast. From the vantage ground of the eighties he has recalled the circumstances of an eventful life and many public events and persons. Mr. Depew has had a distinguished career in public life. He was United States Senator from New York from 1899 to 1911; declined appointment as Secretary of State in the Cabinet of President Harrison; he received 99 votes for presidential nomination in the Republican National Convention in 1888. The address which follows looks back on another field of his activity. He became Attorney for the New York and Harlem R. R. in 1866 and for the New York Central and Hudson River R. R. three years later. He was General Counsel of this railroad in 1875 and President from 1885 to 1898. Since then he has been Chairman of the Board of Directors. He has also been director of many other railroad and banking corporations. This speech was given at the dinner for Mr. Depew by his railroad associates in honor of his 80th birthday at the University Club, New York, May 5, 1914.]

MR. CHAIRMAN AND FRIENDS:— All the celebrations which have been given in honor of my eightieth birthday have been most gratifying. Each one had its own peculiar significance, but this to-night from you, gentlemen, differs widely from the rest. There is an intimacy, brotherhood, both of time and conditions, which rarely exist.

I became connected with our New York Central Company forty-eight years ago. January, 1916, rounds out my half century. There is no one living in any capacity who was in the service of the Company when I began. There is no executive officer of any railroad in the United States who is still active,

who was one when I became President thirty years ago. All these are distinctions. It is hard to define precisely what constitutes a distinction. Methuselah was the oldest man who ever lived and that was his distinction. He might have claimed and probably did that his age was due to a well-spent life. The man who set fire to the Temple of Ephesus, at that time the architectural wonder of the world, accomplished his purpose which was to immortalize his name.

It is idle to enumerate examples, when there are so many among poets and historians, conquerors and philosophers, philanthropists and inventors, boy prodigies and old age wonders. Nevertheless, it is a distinction to be the longest of your line in any profession, pursuit or vocation, because there are many competitors and there is always a "bomb" with the fuse lighted under your official chair.

There is one word frequently used whose significance has never been properly understood and appreciated. That word is "association." It has no limit in confidential relations or time. It is difficult, after the lapse of so many years, after the crossing over to the other side of such a vast majority of your associates, after recalling their merits, their virtues, their good works, your love for them and their loyalty to you, to speak of the past without almost uncontrollable emotion. My policy and practice during all these years were those of confidence and intimacy with all my associates in every grade of the service. I think, when active in the operation of the Company, I had a wider personal acquaintance with the thousands who were connected with the corporation than anybody. This was because my habit of speaking at the anniversaries and celebrations of the different Orders in the railway service led to familiar acquaintance with locomotive engineers, firemen, conductors, brakemen and those in the shops, in the yards and on the track. I may say, always believing in the virtue of reciprocity, I have never in my long career had my confidence abused.

To have been in close and active participation with the railway development of the last half century is in itself a life of extraordinary education and opportunity. To have had in a large measure the confidence of those great constructive minds who were the pioneers in the creation of this network of rails

which has developed our country and made it what it is, was a rare privilege.

The attorney and counsel in my early days saw much of the president. He was generally a part of the executive staff, always on the car in the tours of inspection, always present at the frequent meetings, so difficult, so controversial, with the executives of rival corporations and always present when difficult questions in any of the departments had reached the executive for decision. When I became President, on account of this training, the operating department, the freight and passenger departments were to me as if I had been trained in each and all. And yet one of the most interesting of my duties was to stand between the public and the Company when hostility to the railroads was most acute. Agitators fanned this feeling into a flame, and the press generally, and Chambers of Commerce and Boards of Trade were most unfriendly. Hostile legislation threatened both the efficiency and solvency of the railways. I recall as one of the most satisfactory of experiences the part I had in settling those troubles, removing antagonism and establishing harmonious relations between the people and the railroads. The most striking proof of this change from bitter enmity to cordial friendship was when the delegates from the State of New York to the National Republican Convention in 1888 unanimously presented me as their candidate for President of the United States. Those shrewd, able and wonderfully equipped men would never have advocated a candidate unless they firmly believed he would have, at the election, the support of the people.

It seems like the history of early times for me to stand before you and say that in my early days in the service Commodore Vanderbilt had the Hudson River and Harlem and afterwards, as you know, the New York Central and Lake Shore; Colonel Scott the Pennsylvania and John W. Garrett the Baltimore and Ohio. These men were giants in their day and of extraordinary genius for affairs. As an attorney I saw Commodore Vanderbilt every day at his office, in his house, during the last ten years of his life. I had, or prior to that time, been twice a Member of the Legislature and Secretary of State of New York. I had come in close contact with Presi-

dent Lincoln, General Grant, General Sherman, General Sheridan and all public men of that wonderful period of original and distinguished captains. It had made me a student, deeply interested in the mental qualities and characteristics which had made these men great. I came to the conclusion that the quality of greatness can neither be analyzed nor defined.

I have often found what would be a weakness in an ordinary man is the principal element of power in a great one. Commodore Vanderbilt was an enigma to his closest associates. How he arrived at conclusions they could not tell. They could only wonder that his conclusions were almost invariably correct and his decisions rendered almost immediately after the question was given. Some called it intuition, some luck. There was much of the former and very little of the latter. That the Commodore went from the steamboat to the steamship, in both of which he was a leader, then to the railroad, in which he became the leader, leaving the one and entering the other at the right time in the industrial development of the country, was neither luck nor intuition, but marvelous perception of conditions, accuracy of judgment and resistless quickness in following judgment by action. It would take all night to recall and differentiate those leaders in the other systems.

A few of our own people. Most of you can remember Tousey, our General Manager. He was a capital officer who, like most of those who had come up from the ranks, had no use for the products of the schools. When we needed a superintendent, he said to one of the candidates, "Are you a graduate of the Troy Polytechnic, of the Stevens or the Massachusetts Tech?" "No," said the candidate. "What is your career?" "I began as a telegraph operator, then assistant to the division superintendent, then division superintendent, then general superintendent." "That's enough," said Tousey, "you are appointed."

One of the original characters was Major Zenus Priest, who was for fifty years, most of the time as division superintendent, with our Company. He always joined me in my repeated trips over the line. He was an excellent officer, kept his division in good condition, got along well with his men but always predicted a strike before I came over the road again.

It was a time when the railway men were forming new labor organizations, and old Major Priest thought every new organization was a nucleus of a strike.

Another superintendent long with us was Burroughs, an original man who said very little, except to himself, with whom he was always talking. I remember going over the line with him on the pony engine, and I will say for those of my friends here who are not familiar with that machine that it is a cabin built over the boiler of the locomotive, with chairs on each side, so that you can sit in front and watch the track as the locomotive speeds along. Burroughs would sit on one side looking out. I, as President, on the other. Burroughs talking to himself would comment on the track, roadbed, grading, rails and say what he would do by way of compliment or punishment to the man in charge. On one trip, without changing voice, Burroughs said, "That switch is open,—in less than a minute we will be in hell." The locomotive jumped the switch and landed on the track all right, and the next comment was, "That switchman is discharged."

The most remarkable revolution in the last fifty years has been in the relations between government, National and State, and the railroads. As a new country we wanted railroads, and settlements, farms, villages and cities followed along the lines of their construction. Building them was a huge gamble for the promoters. Some paid largely, some after years of struggle yielded a small return, while many went bankrupt and through several reorganizations ruined the original and succeeding investors.

A railroad never goes out of business, its rails are not torn up. It becomes indispensable to the communities it has created or made prosperous. And so making no returns to those who have put their money into it as stockholders or loaned it their savings as bondholders and sometimes not even earning taxes, it continues to run under the Court and through a receiver. But the time came in railway development when government regulation was indispensable. The success of the Massachusetts Railroad Commission, which was purely advisory, impressed the country. As an attorney, I opposed the movement at first, but soon became convinced that regulation was

a necessity for the public, the shippers, railroad investment and operations.

William H. Vanderbilt was then President as well as the owner of a majority of the stock of the New York Central Railroad. He was a broad-minded man of great ability, but handicapped to a certain extent, as many an exceedingly capable son has been, by the fame of his father. After careful consideration he accepted that view and welcomed the Commission. The first idea of the Railroad Commissioners was that to secure equitable rates they must encourage cut-throat competition. They soon learned that this policy bankrupted weaker lines and also business in the territory which they served. These lines could not give their people a service which would enable them to compete with their more fortunate competitors on the stronger lines. The true principle of transportation was ultimately solved, that is equal rates to all and reasonable rates which will provide for maintenance and improvements and a fair return to the investors. But the rapid evolution of railway control has produced unexpected results. It has given us in the Inter-State Commerce Commission the most powerful bureau in the country.

There are nearly two millions on the payrolls of the railroads, and with their families they number ten millions or one-tenth of the population of the country. There are nearly as many dependent largely on the railroads in the coal and iron mines, the steel rail mills and the manufacture of railway supplies. There are ten million depositors in the savings banks, and the largest investment of those banks is in railroad securities. So here are nearly two-thirds of the people directly or indirectly dependent upon the prosperity of the railroads, and the railroads entirely dependent for their prosperity and efficiency upon the Inter-State Commerce Commission. The situation is without a parallel. The responsibility is paralyzing. The Commission has far more power than the Supreme Court of the United States. It more intimately affects the family and the home. It should have equal dignity in extended terms of offices and in salaries to attract the greatest ability and independence.

The following statistics are eloquent of the situation:

Of earnings of the railroads of the United States in 1913 amounting to	\$3,118,929,318
there was paid to employees	1,439,000,000
for taxes	129,052,922
for materials and supplies	320,823,000
in dividends	217,000,000
in interest or indebtedness	407,000,000

Reduced to percentages they exhibit this remarkable result:

Percentage from gross earning paid to employees	44.00
Percentage paid for materials and supplies	23.10
Percentage paid for interest	13.04
Percentage paid for taxes	4.14
Percentage paid for dividends	4.09

Railway management is a profession requiring study, preparation, training, practical experience and high abilities. The government in the Inter-State Commerce Commission should be able by reason of the honor and permanence of the position to attract to this service the most tried, proved and expert talent and character there is among the people.

There is no vocation where there is so much camaraderie and good fellowship as among railroad men. We have a difficult task to perform, the most difficult of any profession. The whole public uses the instrumentalities which we control, manage and work. Therefore, we have to satisfy the public of the United States, and at the same time satisfy the investors. This requires an unusual degree of character, intelligence, experience and devotion to duty. It is a tribute to the two million men who are engaged in the railway service that so few drop out by the way, so few render themselves liable to the criminal courts or the adverse judgment of superior officers in the discharge of the difficult functions, which in every branch they are called upon to perform. There is and always has been in our Central System an unusual degree of brotherhood.

When I entered service the Central System consisted of the Harlem railroad, running from New York to Chatham, one hundred and twenty-eight miles. To-day it has twenty thousand miles and is, if you take into consideration all that it is and does, probably the most important railway system in the

world. It is a wonderful and grateful experience to have been so closely associated in the same company with the men, distinguished for their ability and achievements, who have come and gone in these last fifty years and to find myself in cordial intimacy and almost as one of the youngest among those who are still active.

Commodore Vanderbilt said to me one morning over forty years ago, not long before he died: "I would like, if I could be assured, that some Vanderbilt would be in the management of the New York Central road for many generations to come, but I do not hope that the Vanderbilt influence will extend beyond the sons of my son William H." If in the other world those who have passed the Great Divide are conscious of what is happening here, as I believe they are, then the Commodore must be pleased when he sees and knows that in the official ranks of the New York Central are two Vanderbilts of a still younger generation, William K., jr., and Harold, both efficient, both able, both promising, both with long lives of usefulness before them, and I am glad that we can welcome them among us here to-night.

My friends, four-score years seem wonderful in prospect. I remember when I thought that forty was old, when fifty ought to be the time to retire, when sixty was past consideration. But when one has passed that great climacteric of eighty, then the past seems to have been a preparation for the future, and the future he looks forward to with hopefulness, optimism, thanks and profound appreciation of the greetings, the welcome, the hail and hope which you give. I thank you, gentlemen!

CHARLES WILLIAM ELIOT

USES OF EDUCATION FOR BUSINESS

[Address by Charles W. Eliot, President of Harvard University 1869-1909 (born in Boston, March 20, 1834) delivered at the annual meeting of the Chamber of Commerce of the State of New York, November 18, 1890. Dr. Eliot is one of the great Americans, crowned by many years of wisdom and service. His leadership has been aided in no small degree by his ability as a speaker. He has been for fifty years a master of clear, dispassionate, convincing discourse.]

MR. PRESIDENT AND GENTLEMEN OF THE CHAMBER OF COMMERCE:—Before we can talk together to advantage about the value of education in business, we ought to come to a common understanding about the sort of education we mean and the sort of business. Nobody doubts that primary and grammar-school training are useful to everybody; or that high-school training is advantageous for a clerk, salesman, commercial traveler, or skilled workman; or that technical or scientific school training is useful to an engineer, chemist, electrician, mechanic, or miner. Our question is, of what use is the education called “liberal” to a man of business? The education called liberal has undergone a great expansion during our generation, and is now, in the best institutions, thoroughly conformed to modern uses. All universities worthy of the name—even the oldest and most conservative—now supply a broad and free range of studies, which includes the ancient subjects, but establishes on a perfect equality with them the new and vaster subjects of modern languages and literature, history, political science, and natural science.

We must not think of the liberal education of to-day as dealing with a dead past—with dead languages, buried peoples, and exploded philosophies; on the contrary, everything which universities now teach is quick with life and capable of application to modern uses. They teach indeed the lan-

guages and literature of Judea, Greece, and Rome; but it is because those literatures are instinct with eternal life. They teach mathematics, but it is mathematics mostly created within the lifetime of the older men here present. In teaching English, French, and German, they are teaching the modern vehicles of all learning—just what Latin was in mediæval times. As to history, political science, and natural science, the subjects themselves, and all the methods by which they are taught, may properly be said to be new within a century. Liberal education is not to be justly regarded as something dry, withered, and effete; it is as full of sap as the cedars of Lebanon.

And what sort of business do we mean? Surely the larger sorts of legitimate and honorable business; that business which is of advantage both to buyer and seller, and to producer, distributor, and consumer alike, whether individuals or nations, which makes common some useful thing which has been rare, or makes accessible to the masses good things which have been within reach only of the few—I wish I could say simply, which makes dear things cheap; but recent political connotations of the word cheap [laughter] forbid. We mean that great art of production and exchange which through the centuries has increased human comfort, cherished peace, fostered the fine arts, developed the pregnant principle of associated action, and promoted both public security and public liberty.

With this understanding of what we mean by education on the one hand and business on the other, let us see if there can be any doubt as to the nature of the relations between them. The business man in large affairs requires keen observation, a quick mental grasp of new subjects, and a wide range of knowledge. Whence come these powers and attainments—either to the educated or to the uneducated—save through practice and study? But education is only early systematic practice and study under guidance. The object of all good education is to develop just these powers—accuracy in observation, quickness and certainty in seizing upon the main points of a new subject, and discrimination in separating the trivial from the important in great masses of facts. This is what liberal education does for the physician, the lawyer, the minister, and the scientist. This is what it can do also for the man of business; to give a mental power is one of the main

ends of the higher education. Is not active business a field in which mental power finds full play? Again education imparts knowledge, and who has greater need to know economics, history and natural science than the man of large business?

Further, liberal education develops a sense of right, duty, and honor; and more and more, in the modern world, large business rests on rectitude and honor, as well as on good judgment. [Applause.] Education does this through the contemplation and study of the moral ideals of our race; not in drowsiness or dreaminess or in mere vague enjoyment of poetic and religious abstractions, but in the resolute purpose to apply spiritual ideals to actual life. The true university fosters ideals, but always to urge that they be put in practice in the real world. When the universities hold up before their youth the great Semitic ideals which were embodied in the Decalogue, they mean that those ideals should be applied in politics. When they teach their young men that Asiatic ideal of unknown antiquity, the Golden Rule, they mean that their disciples shall apply it to business; when they inculcate that comprehensive maxim of Christian ethics, "Ye are all members of one another," they mean that this moral principle is applicable to all human relations, whether between individuals, families, states, or nations. [Applause.]

Now, there is no field of human activity in which ideals applied are of more value than in business. Again, higher education has always made great account of the power of expression in speech and writing, whence has arisen an opinion that liberal education must be less useful to the man of business than to the lawyer, or minister, because the business man has less need than they of this power. It seems to me that this view is no longer true. Have we not all seen, in recent years, that leading men of business, particularly those who act for corporations, have great need of a highly trained power of clear and convincing expression? Business men seem to me to need, in speech and writing, all the Roman terseness and the French clearness; the graces and elegancies of literary style they may indeed dispense with, but not with the greater qualities of compactness, accuracy, and vigor. It is a liberal education indeed which teaches a youth of fair parts and reasonable industry to speak and write his native

language strongly, accurately, and persuasively. That one attainment is sufficient reward for the whole long course of twelve years spent in liberal study. [Applause.]

But you may say: This is all theory; what are the facts with regard to the connection between higher education and successful business life? To investigate the results actually obtained in this respect by the American colleges during the past forty or fifty years would require the coöperation of a very large number of persons; for no satisfactory result could be reached which was not based on an intimate knowledge of the careers and personal fortunes of thousands of men who are in no sense public men. Business life does not necessarily bring a man before the public as the life of a lawyer, minister, or politician does; each individual can only report the facts which have fallen under his personal observation. My own class in Harvard College numbered eighty-nine at graduation. Eleven of that number, or one-eighth of the whole, have attained remarkable success in business—a larger proportion than have distinguished themselves to a corresponding degree in any other walk of life. [Applause.]

Among the young men who have graduated from Harvard University within forty years, I have seen many cases of rapid advancement from the bottom to the top of business corporations in great variety. A young man leaves college at twenty-three and goes into a cotton mill at the bottom; and in four years he is superintendent. Another lands in a Western city, three days after his graduation, without a dollar, and without a friend in the city, and ten years afterwards he is the owner of the best establishment for printing books in that city. A young man six years out of college is superintendent of one of the largest woolen mills in the United States. Another, but a little older, is the manager of one of the most important steel works in the country.

These are but striking examples of a large class of facts. In eastern Massachusetts graduates of Harvard get greatly more than their due numerical proportion of the best places in banking, insurance, transportation, and manufacturing. This is the case not only in the old, well established occupations, but in the new as well. For example, the president of the corporation which controls one of the newest industries in the

world is a Harvard first scholar. I speak from no little personal observation when I say that there is no more striking general fact about the graduates of Harvard during the past fifty years than their eminent success in business. From one-fifth to one-third of the members of the successive graduating classes ultimately go into business. The same is probably true of many another American college.

Finally, successful business men themselves give no doubtful answer to the question we are considering. I observe that successful business men, with the rarest exceptions, wish their sons to be educated to the highest point the sons can reach. No matter whether the father be himself an educated man or not; when his success in business has given him the means of educating his children he is sure to desire that they receive a liberal education whether they are going into business or not.

I should not worthily represent here the profession to which I belong if I did not say in closing that liberal education is an end in itself, apart from all its utilities and applications. When we teach a child to read, our primary aim is not to enable it to decipher a way-bill or a receipt, but to kindle its imagination, enlarge its vision, and open for it the avenues of knowledge. The same is true of liberal education in its utmost reach. Its chief objects for the individual are development, inspiration, and exaltation; the practical advantages which flow from it are incidental, not paramount.

For the community the institutions of higher education do a like service. They bring each successive generation of youth up to levels of knowledge and righteousness which the preceding generation reached in their maturity. Public comfort, ease and wealth are doubtless promoted by them; but their true and sufficient ends are knowledge and righteousness. [Prolonged applause.]

CYRUS WEST FIELD

STORY OF THE ATLANTIC CABLE

[Address of Cyrus W. Field, projector of the ocean telegraph (born in Stockbridge, Mass., November 30, 1819; died in New York City, July 12, 1892), delivered at a banquet given in his honor by the Chamber of Commerce of the State of New York, November 15, 1866, in commemoration of the final completion and successful working of the Atlantic cables.]

MR. PRESIDENT:—I thank you for the kind words which you have spoken; and you, gentlemen, for the manner in which you have responded to them. It is pleasant to come home after a long absence and especially when a warm welcome meets us at the door. It is pleasant to see familiar faces and hear familiar voices; to be among old neighbors and friends and to be assured of their regard and approbation. And now to receive such a tribute as this from the Chamber of Commerce of New York and from this large array of merchants and bankers and eminent citizens is very grateful to my heart.

The scene before me awakens mingled recollections. Eight years ago the Atlantic telegraph had won brief success; and in this very hall we met to celebrate our victory. Alas for our hopes! How soon was our joy turned into mourning. That very day the cable departed this life. It went out like a spark in the mighty waters. So suddenly it died that many could not believe that it ever lived. To-night we meet to rejoice in a success which I believe will be permanent. But many who were with us then are not here. Captain Hudson has gone to his grave. Woodhouse, the English engineer who was with our own Everett in the "Niagara," sleeps in his native island. Others who took an early part in the work are no more among the living. Lieutenant Berryman, who made the first soundings across the Atlantic died for his country in the late war on board his ship off Pensacola. His companions, Lieutenant

Strain, the hero of the ill-fated Darien expedition, and Lieutenant Thomas, both are gone. So are John W. Brett, my first associate in England; Samuel Statham, Sir William Brown, the first chairman of the Atlantic Telegraph Company, and many, many others. My first thought to-night is of the dead; and my only sorrow that those who labored so faithfully with us are not here now to share our triumph.

In the letter inviting me to accept of this banquet, you expressed a wish "to hear from my lips the story of this great undertaking." That, sir, would be a very long story, much beyond your patience and my strength. I should have to take you forty times across the Atlantic and half as many to Newfoundland. Still, I will endeavor in a brief way to give you some faint outlines of the fortunes of this enterprise.

It is nearly thirteen years since half a dozen gentlemen of this city met at my house for four successive evenings and around a table covered with maps and charts and plans and estimates, considered a project to extend a line of telegraph from Nova Scotia to St. John's, in Newfoundland, thence to be carried across the ocean. It was a very pretty plan on paper. There was New York and there was St. John's, only about twelve hundred miles apart. It was easy to draw a line from one point to the other—making no account of the forests and mountains and swamps and rivers and gulfs that lay in our way. Not one of us had ever seen the country or had any idea of the obstacles to be overcome. We thought we could build the line in a few months. It took two years and a half. Yet we never asked for help outside our own little circle. Indeed, I fear we should not have got it if we had, for few had any faith in our scheme. Every dollar came out of our own pockets. Yet I am proud to say no man drew back. No man proved a deserter; those who came first into the work have stood by it to the end. Of those six men four are here to-night; Mr. Peter Cooper, Moses Taylor, Marshall O. Roberts, and myself. [Applause.] My brother Dudley is in Europe and Mr. Chandler White died in 1856 and his place was supplied by Mr. Wilson G. Hunt, who is also here. Mr. Robert W. Lowber was our Secretary. To these gentlemen as my associates it is but just that I should pay my first acknowledgments.

From this statement you will perceive that in the beginning this was wholly an American enterprise. [Applause.] It was begun and for two years and a half was carried on solely by American capital. Our brethren across the sea did not even know what we were doing away in the forests of Newfoundland. Our little company raised and expended over a million and a quarter of dollars before the Englishmen paid a single pound sterling. [Cheers.] Our only support outside was in the liberal charter and steady friendship of the Government of Newfoundland for which we were greatly indebted to Mr. E. M. Archibald, then attorney-general of that colony, and now British consul in New York. And in preparing for an ocean cable, the first soundings across the Atlantic were made by American officers in American ships. [Applause.] Our scientific men—Morse, Henry, Bache, and Maury—had taken great interest in the subject. The United States ship "Dolphin" discovered the telegraph plateau as early as 1853; and the United States ship "Arctic" sounded across from Newfoundland to Ireland in 1856, a year before Her Majesty's ship "Cyclops," under command of Captain Dayman, went over the same course. This I state not to take aught from the just praise of England but simply to vindicate the truth of history.

It was not until 1856—ten years ago—that the enterprise had any existence in England. In that summer I went to London and there with Mr. John W. Brett, Mr. (now Sir) Charles Bright, and Dr. Whitehouse organized the Atlantic Telegraph Company. Science had begun to contemplate the possibility of such an enterprise; and the great Faraday cheered us with his lofty enthusiasm. Then, for the first time, was enlisted the support of English capitalists; and then the British Government began that generous course which it has continued ever since—offering us ships to complete soundings across the Atlantic and to assist in laying the cable, and an annual subsidy for the transmission of messages. The expedition of 1857 and the two expeditions of 1858 were a joint enterprise in which the "Niagara" and the "Susquehanna" took part with the "Agamemnon," the "Leopard," the "Gorgon" and the "Valorous"; and the officers of both navies worked with generous rivalry for the same great object. The capital—except one

quarter which, as you have said, was taken by myself—was subscribed wholly in Great Britain. The directors were almost all English bankers and merchants. Though among them was one gentleman whom we are proud to call an American, Mr. George Peabody, a name honored in two countries, since showered his princely benefactions upon both—who, though resident for nearly forty years in London where he has gained abundant wealth and honors, still clings to the land of his birth; declining the honor of a baronetcy of the United Kingdom to remain a simple American citizen. [Loud cheers.]

With the history of the expeditions of 1857-58 you are familiar. On the third trial we gained a brief success. The cable was laid, and for four weeks it worked, though never very brilliantly, never giving forth such rapid and distinct flashes as the cables of to-day. It spoke, though only in broken sentences. But while it lasted no less than four hundred messages were sent across the Atlantic. You all remember the enthusiasm which it excited. It was a new thing under the sun, and for a few weeks the public went wild over it. Of course, when it stopped the reaction was very great. People grew dumb and suspicious. Some thought it was all a hoax, and many were quite sure that it had never worked at all. That kind of odium we have had to endure for eight years until now I trust we have at last silenced the unbelievers.

After the failure of 1858 came our darkest days. When a thing is dead it is hard to galvanize it into life. It is more difficult to revive an old enterprise than to start a new one. The freshness and novelty are gone and the feeling of disappointment discourages further effort. Other causes delayed the new attempt. This country had become involved in a tremendous war; and while the nation was struggling for life it had no time to spend in foreign enterprise.

But in England the project was still kept alive. The Atlantic Telegraph Company kept up its organization. It had a noble body of directors who had faith in the enterprise and looked beyond its present low estate to ultimate success. I cannot name them all, but I must speak of our chairman—the Right Honorable James Stuart Wortley, a gentleman who did not join us in the hour of victory, but in what seemed the hour of despair—after the failure of 1858—and who has been

a steady support through all these years. The Deputy Chairman, Mr. Lampson, has been made a baronet for his connection with the enterprise; our faithful Secretary, Mr. Saward, too, did much to keep alive the interest of the British public.

All this time the science of submarine telegraphy was making progress. The British Government appointed a commission to investigate the whole subject. It was composed of eminent scientific men and practical engineers—Galton, Wheatstone, Fairbairn, Bidder, Varley, Latimer, and Edwin Clark—with the Secretary of the Company, Mr. Saward—names to be held in honor in connection with this enterprise along with those of other English engineers such as Stephenson, and Brunel, and Whitworth, and Penn, and Lloyd, and Josiah Field, who gave time and thought and labor freely to this enterprise, refusing all compensation. This commission sat for nearly two years and spent many thousands of pounds in experiments. The result was a clear conviction in every mind that it was possible to lay a telegraph across the Atlantic. Science was also being all the while applied to practice. Submarine cables were laid in different seas—in the Mediterranean, in the Red Sea, and the Persian Gulf. The latter was laid by my friend, Sir Charles Bright, who thus rendered another service to his country and gained fresh title to the honor which was conferred upon him for his part in laying the first Atlantic cable.

When the scientific and engineering problems were solved we took heart again and began to prepare for a fresh attempt. This was in 1863. In this country—though the war was still raging—I went from city to city holding meetings and trying to raise capital, but with poor success. Men came and listened and said “it was all very fine,” and “hoped I would succeed,” but did nothing. In one of the cities they gave me a large meeting and passed some beautiful resolutions and appointed a committee of “solid men” to canvass the city, but I did not get a solitary subscriber! In this city I did better, though money came by the hardest work. By personal solicitations, encouraged by you, sir, and other good friends, I succeeded in raising £70,000. Since not many had faith, I must present one example to the contrary, though it was not till a year later. When almost all deemed it a hopeless scheme one gentle-

man of this city came to me and purchased stock of the Atlantic Telegraph Company to the amount of \$100,000. That was Mr. Loring Andrews, who is here this evening to see his faith rewarded. [Applause.] But at the time I speak of, it was plain that our main hope must be in England, and I went to London. There too, it dragged heavily; there was a profound discouragement. Many had lost before and were not willing to throw more money into the sea. We needed £600,000, and with our utmost efforts we had raised less than half, and there the enterprise stood in a deadlock. It was plain that we must have help from some new quarter. I looked around to find a man who had broad shoulders and could carry a heavy load, and who would be a giant in the cause. It was at this time I was introduced to a gentleman whom I could hold up to the American public as a specimen of a great-hearted Englishman, Mr. Thomas Brassey. You may never have heard his name, but in London he is known as one of the men who have made British enterprise and British capital felt in all parts of the earth. I went to see him, though with fear and trembling. He received me kindly, but put me through such an examination as I never had before. I thought I was in the witness-box. He asked every possible question, but my answers satisfied him, and he ended by saying that "it was an enterprise which ought to be carried out and that he would be one of ten men to furnish the money to do it." This was a pledge of £60,000 sterling! Encouraged by this noble offer I looked about to find another such man, though it was almost like trying to find two Wellingtons. But he was found in Mr. John Pender of Manchester. I went one day to his office in London and we walked together to the House of Commons, and before we got through he said he would take an equal share with Mr. Brassey.

The action of these two gentlemen was a turning-point in the history of our enterprise, for it led shortly after to a union of the well-known firm of Glass, Elliott & Company with the Gutta-Percha Company, making of the two one grand concern, which included not only Mr. Brassey and Mr. Pender, but other men of great wealth, such as Mr. George Elliott, and Mr. Barclay of London, and Mr. Henry Bewley of Dublin, and which thus reinforced with immense capital took up the

whole enterprise in its strong arms. We needed, I have said, £600,000, and with all our efforts in England and America we had raised only £285,000. This new company now came forward and offered to take up the whole remaining £315,000 besides £100,000 of the bonds and to make its own profits contingent on success! Mr. Richard A. Glass was made Managing Director, and gave energy and vigor to all its departments, being admirably seconded by the Secretary, Mr. Shuter. Mr. Glass has been recently knighted for his services in carrying out the Atlantic Telegraph—an honor which he most justly deserves.

A few days after a half dozen gentlemen joined together and bought the "Great Eastern" to lay the cable. At the head of this company was placed Mr. Daniel Gooch, member of Parliament and chairman of the Great Western Railway, who was with us in both expeditions which followed, and who for his services has been made a baronet of the United Kingdom. His son, Mr. Charles Gooch, a volunteer in the service, who worked faithfully on board the "Great Eastern," we are happy to welcome here to-night. [Applause.]

The good fortune which favored us in our ship favored us also in our commander. Many of you know Captain Anderson [applause] who was for years in the Cunard line. You may have crossed the sea with him, and you remember how kind he was; how clear-eyed and prompt in his duty, and yet always a quiet and modest gentleman. How well he did his part in two expeditions the result has proved, and it was just that a mark of royal favor should fall on that manly head.

Thus organized, the work of making the new Atlantic cable was begun. The core was prepared with infinite care under the able superintendence of Mr. Chatterton and Mr. Willoughby Smith; and the whole was completed in about eight months. As fast as ready it was taken on board the "Great Eastern" and coiled in three enormous tanks; and on July 15, 1865, the ship started on her memorable voyage.

I will not stop to tell the story of that expedition. For a week all went well; we had paid out twelve hundred miles of cable and had only six hundred miles further to go when, hauling in the cable to remedy a fault, it parted and went to the bottom! That day I can never forget—how men paced

the deck in despair looking out on the broad sea that had swallowed up their hopes; and then how the brave Canning for nine days and nights dragged the bottom of the ocean for our lost treasure, and though he grappled it three times, failed to bring it to the surface. The story of that expedition as written by Dr. Russell, who was on board the "Great Eastern," is one of the most marvelous chapters in the whole history of modern enterprise. We returned to England defeated yet full of resolution to begin the battle anew. Measures were at once taken to make a second cable and to fit out a new expedition; and with that assurance I came home last autumn.

In December I went back again, when lo, all our hopes had sunk to nothing. The Attorney-General of England had given his written opinion that we had no legal right without a special Act of Parliament (which could not be obtained under a year) to issue the new twelve per cent. shares on which we relied to raise our capital. This was a terrible blow. The works were at once stopped and the money which had been paid in returned to the subscribers. Such was the state of things only ten months ago. I reached London on December 24, and the next day was not a "Merry Christmas" to me. But it was an inexpressible comfort to have the counsel of such men as Sir Daniel Gooch and Sir Robert A. Glass; and to hear stout-hearted Mr. Brassey tell us to go ahead; and if need were he would put down £60,000 more! It was finally concluded that the best course was to organize a new company which should assume the work; and so originated the Anglo-American Telegraph Company. It was formed by ten gentlemen who met round a table in London and put down £10,000 apiece. I hope the excellent Secretary of this company, Mr. Dean, who came with us across the ocean will write its history and tell the world what life and vigor were comprised in its board of directors. The great telegraph construction and maintenance company, undaunted by the failure of last year, answered us with a subscription of £100,000; soon after the books were opened to the public through the eminent banking house of J. S. Morgan & Company, and in fourteen days we had raised the whole £600,000. [Loud applause.] Then the work began again and went on with speed. Never was greater energy infused into any enterprise. It was only the first day of March that the

new company was formed and it was registered as a company the next day; yet such were the vigor and despatch that in five months from that day the cable had been manufactured, shipped on the "Great Eastern," stretched across the Atlantic, and was sending messages literally swift as lightning from continent to continent. [Prolonged cheers.]

Yet this was not a "lucky hit"—a fine run across the ocean in calm weather; it was the worst weather I ever knew at that season of the year. In the despatch which appeared in the New York papers you may have read "the weather has been most pleasant." I wrote it "unpleasant." We had fogs and storms almost the whole way. Our success was the result of the highest science combined with practical experience. Everything was perfectly organized to the minutest detail. We had on board an admirable staff of officers, such men as Halpin and Beckwith; and engineers long used to this business, such as Canning, and Clifford, and Temple, the first of whom has been knighted for his part in this great achievement; and electricians such as Professor Thomson of Glasgow, and Willoughby Smith, and Laws; while Mr. C. F. Varley, our companion of the year before, who stands among the first in knowledge and practical skill, remained with Sir Robert Glass at Valentia, to keep watch at that end of the line, and Mr. Latimer Clark, who was to test the cable when done. Of these gentlemen Professor Thomson, as one of the earliest and most eminent electricians of England, has received some mark of distinction. England honors herself when she thus pays honor to science; and it is fitting that the Government which honored chemistry in Sir Humphry Davy should honor electrical science in Sir William Thomson. [Applause.]

But our work was not over. After landing the cable safely at Newfoundland we had another task, to return to mid-ocean and recover that lost in the expedition of last year. This achievement had perhaps excited more surprise than the other. Many even now "don't understand it"; and every day I am asked "how it was done." Well, it does seem rather difficult—to fish for a jewel at the bottom of the ocean two and a half miles deep, but it is not so very difficult—when you know how. You may be sure we did not go fishing at random, nor was our success mere "luck"—it was the triumph of the highest nautical

and engineering skill. We had four ships and on board of them some of the best seamen in England, men who knew the ocean as a hunter knows every trail in the forest. There was Captain Moriarity who was in the "Agamemnon" in 1857-58. He was in the "Great Eastern" last year and saw the cable when it broke; and he and Captain Anderson at once took their observations so exact that they could go right to the spot. After finding it, they marked the line of the cable by a row of buoys; for fogs would come down and shut out sun and stars so that no man could take an observation. These buoys were anchored a few miles apart. They were numbered, and each one had a flag-staff on it, so that it could be seen by day, and a lantern by night.

Thus having taken our bearings we stood off three or four miles so as to come broadside on, and then casting over the grapnel we drifted slowly down upon it, dragging the bottom of the ocean as we went. At first it was a little awkward to fish in such deep water, but our men got used to it and soon could cast a grapnel almost as straight as an old whaler throws a harpoon. Our fishing-line was of formidable size. It was made of rope twisted with wires of steel so as to bear a strain of thirty tons. It took about two hours for the grapnel to reach the bottom, and we could tell when it struck. I often went to the bow and sat on the rope and could feel by the quiver that the grapnel was dragging on the bottom two miles under us. [Applause.] But it was a very slow business. We had storms and calms and fogs and squalls. Still we worked on day after day. Once, on the 17th of August, we got the cable up, and had it in full sight for five minutes, a long slimy monster fresh from the ooze of the ocean's bed; but our men began to cheer so wildly that it seemed to be frightened, and suddenly broke away and went down into the sea. This accident kept us at work two weeks longer; but finally on the last night of August we caught it. We had cast the grapnel thirty times. It was a little before midnight on Friday night that we hooked the cable, and it was a little after midnight Sunday morning when we got it on board. [Cheers.]

What was the anxiety of those twenty-six hours! The strain on every man's life was like the strain on the cable itself. When finally it appeared it was midnight; the lights of the

ship and in the boats around our bows as they flashed in the faces of the men showed them eagerly watching for the cable to appear on the water. At length it was brought to the surface. All who were allowed to approach crowded forward to see it; yet not a word was spoken; only the voices of the officers in command were heard giving orders. All felt as if life and death hung on the issue. It was only when it was brought over the bow and on to the deck that men dared to breathe. Even then they hardly believed their eyes. Some crept toward it, to feel of it to be sure it was there. Then we carried it along to the electricians' room to see if our long-sought treasure was living or dead. A few minutes of suspense and a flash told of the lightning current again set free. Then did the feeling long pent up burst forth. Some turned away their heads and wept. Others broke into cheers, and the cry ran from man to man and was heard down in the engine-rooms deck below deck, and from the boats on the water, and the other ships, while rockets lighted up the darkness of the sea. Then with thankful hearts we turned our faces again to the west. But soon the wind rose and for thirty-six hours we were exposed to all the dangers of a storm on the Atlantic. Yet in the very height and fury of the gale as I sat in the electricians' room a flash of light came up from the deep which, having crossed to Ireland, came back to me in mid-ocean telling that those so dear to me whom I had left on the banks of the Hudson were well and following us with their wishes and their prayers. [Applause.] This was like a whisper of God from the sea bidding me keep heart and hope. The "Great Eastern" bore herself proudly through the storm as if she knew that the vital chord which was to join two hemispheres hung at her stern; and so on Saturday, September 7th, we brought our second cable safely to the shore. [Renewed applause.]

But the "Great Eastern" did not make her voyage alone. Three other ships attended her across the ocean—the "Albany," the "Medway," and the "Terrible,"—the officers of all of which exerted themselves to the utmost. The Queen of England has shown her appreciation of the services of some of those more prominent in the expedition, but if it had been possible to do justice to all, honors would have been bestowed upon

many others; if this cannot be, at least their names live in the history of this enterprise with which they will be forever associated. When I think of them all—not only of those on the “Great Eastern,” but of Captain Commerill of the “Terrible,” and his first officer Mr. Curtis (who with their ship came with us not only to Heart’s Content but afterwards to the Gulf of St. Lawrence, to help in laying the new cable), and of the officers of the other ships, my heart is full. Better men never trod a deck. If I do not name them all it is because they are too many; their ranks are too full of glory. Even the sailors caught the enthusiasm of the enterprise and were eager to share in the honor of the achievement. Brave, stalwart men they were—at home on the ocean and in the storm—of that sort that have carried the flag of England around the globe. [Cheers.] I see them now as they drag to shore the end by the beach at Heart’s Content, hugging it in their brawny arms, as if it were a shipwrecked child whom they had rescued from the dangers of the sea. God bless them all! [Applause.]

Such, gentlemen, in brief is the story of the telegraph which you have wished to hear. It has been a long hard struggle—nearly thirteen years of anxious watching and ceaseless toil. Often my heart has been ready to sink. Many times when wandering in the forests of Newfoundland in the pelting rain, or on the decks of ships on dark stormy nights—alone, far from home—I have almost accused myself of madness and folly to sacrifice the peace of my family and all the hopes of my life for what might prove after all but a dream. I have seen my companions one and another falling by my side and feared that I too might not live to see the end. And yet one hope has led me on, and I have prayed that I might not taste of death till this work was accomplished. That prayer is answered; and now beyond all acknowledgments to men is the feeling of gratitude to Almighty God. [Applause.]

Having thus accomplished our work of building an ocean telegraph we desired to make it useful to the public. To this end it must be kept in perfect order and all lines connected with it. The very idea of an electric telegraph is an instrument to send messages instantaneously. When a despatch is sent from New York to London there must be no uncer-

tainty about its reaching its destination and that promptly. This we aim to secure. Our two cables do their part well. There are no way-stations between Ireland and Newfoundland where messages have to be repeated, and the lightning never lingers more than a second in the bottom of the sea. To those who feared that the cables might be used up or wear out I would say for their relief that the old cable works a little better than the new one, but that is because it has been down longer,—as time improves the quality of gutta-percha. But the new one is constantly growing better. To show how delicate are these wonderful chords it is enough to state that they can be worked with the smallest battery power. When the first cable was laid in 1858, the electricians thought that to send a current two thousand miles it must be almost like a stroke of lightning; but God was not in the earthquake but in the still small voice. The other day Mr. Latimer Clark telegraphed from Ireland across the ocean and back again with a battery formed in a lady's thimble! [Applause.] And now Mr. Collett writes me from Heart's Content: "I have just sent my compliments to Dr. Gould of Cambridge who is at Valentia with a battery composed of a guncap with a strip of zinc excited by a drop of water the simple bulk of a tear!" [Renewed applause.] The telegraph that will do that we think nearly perfect. It has never failed for an hour or a minute. Yet there have been delays in receiving messages from Europe but these have all been on the land lines or in the Gulf of St. Lawrence, and not on the sea cables. It was very painful to me when we landed at Heart's Content to find any interruption here, that a message which came in a flash across the Atlantic should be delayed twenty-four hours in crossing eighty miles of water. But it was not my fault. My associates in the Newfoundland company will bear me witness that I entreated them a year ago to repair the cable in the Gulf of St. Lawrence and put our land lines in perfect order. But they thought it more prudent to await the result of the late expedition before making further large outlays. We have therefore had to work hard to restore our lines. But in two weeks our cable across the Gulf of St. Lawrence was taken up and repaired. It was found to have been broken by an

anchor in shallow water, and when spliced it proved as perfect as one laid down ten years ago. Since then a new one has been laid, so that we have there two excellent cables.

The land task was more slow. You must remember that Newfoundland is a large country; our line across it is four hundred miles long and runs through a wilderness. In Cape Breton we have another of one hundred and forty miles. These lines were built twelve years ago, and we have waited so long for an ocean telegraph that they have become old and rusty. On such long lines unless closely watched there must be sometimes a break. A few weeks ago a storm swept over the island, the most terrific that had been known for twenty years, which strewed the coast with shipwrecks. This blew down the line in many places and caused an interruption of several days. But it was quickly repaired and we are trying to guard against such accidents again. For three months we have had an army of men at work under our faithful and indefatigable superintendent, Mr. A. M. Mackay, rebuilding the line, and now they report it nearly complete. On this we must rely for the next few months. But all winter long these men will be making their axes hum in the forests of Newfoundland cutting thousands of poles, and as soon as the spring opens will build an entirely new line along the same route. With this double line complete, with frequent station-houses and faithful sentinels watching it, we feel pretty secure. At Port Hood in Nova Scotia we connect with the Western Union Telegraph Company, which has engaged to keep as many lines as may be necessary for European business. This we think will guard against failure hereafter. But to make assurance doubly sure, we shall in the spring build still another line by a separate route crossing over from Heart's Content to Placentia, which is only about one hundred miles along a good road where it can easily be kept in order. From Placentia a submarine cable will be laid across to the French island of St. Pierre and thence to Sydney in Cape Breton, where again we strike a coach road and can maintain our lines without difficulty. Thus we shall have three distinct lines with which it is hardly possible that there can be any delay. A message from London to New York passes over four lines—from London to Valentia; from Valentia to Heart's Content; from there to Port Hood,

and from Port Hood to New York. It always takes a little time for an operator to read a message and prepare to send it. For this allow five minutes at each station—that is enough, and I shall not be content till we have messages regularly from London in twenty minutes. One hour is ample (allowing ten minutes each side for a boy to carry the despatch) for a message to go from Wall street to the Royal Exchange and get an answer back again. This is what we aim to do. If for a few months there should be occasional delays we ask only a little patience, remembering that our machinery is new and that it takes time to get it well oiled and running at full speed. But after that I trust we shall be able to satisfy all the demands of the public.

A word about the tariff. Complaint has been made that it is so high as to be very oppressive. I beg all to remember that it is only three months and a half since the cable was laid. It was laid at a great cost and a great risk. Different companies had sunk in their attempts twelve millions of dollars. It was still an experiment of which the result was doubtful. This too might prove another costly failure. Even if successful we did not know how long it would work. Evil prophets in both countries predicted that it would not last a month. If it did, we were not sure of having more than one cable; nor how much work that one would do. Now these doubts are resolved. We have not only one cable but two, both in working order; and we find instead of five words a minute we can send fifteen. Now we are free to reduce the tariff. Accordingly it has been cut down one-half, and I hope in a few months we can bring it down to one-quarter. I am in favor of reducing it to the lowest point at which we can do the business, keeping the lines working day and night. And then—if the work grows upon us, so enormously that we cannot do it—why we must go to work and lay more cables. [Applause.]

Those who conduct a public enterprise should not object to any fair criticism of the public or of the press, but complaints are sometimes made without reflection, as when fault is found with the cable because the news from Europe may be scanty or unimportant, as if we had any more to do with what passes over the line than the Post-Office Department with the contents of letters that go through the mail. We are common

carriers and send whatever comes; and if our brethren of the press keep capable men in the capitals of Europe who will furnish only news which is important we will see that it is delivered here every morning.

Of the results of this enterprise—commercially and politically—it is for others to speak. To one effect only do I refer as the wish of my heart that as it brings us into closer relations with England it may produce a better understanding between the two countries. Let who will speak against England—words of censure must come from other lips than mine. I have received too much kindness from Englishmen to join in this language. I have eaten of their bread and drunk of their cup, and I have received from them in the darkest hours of this enterprise words of cheer which I shall never forget; and if any words of mine can tend to peace and good-will they shall not be wanting. I beg my countrymen to remember the ties of kindred. Blood is thicker than water. America with all her greatness has come out of the loins of England, and though there have been sometimes family quarrels—bitter as family quarrels are apt to be—still in our hearts there is a yearning for the old home, the land of our fathers, and he is an enemy of his country and of the human race who would stir up strife between two nations that are one in race, in language and in religion. [Applause.]

I close with this sentiment, "England and America: Clasp-
ing hands across the sea—may this firm grasp be a pledge of
friendship to all generations!" [Enthusiastic applause—the
audience rising and giving three cheers.]

EDWARD A. FILENE

WHY MEN STRIKE

[Edward A. Filene was born in Salem, Massachusetts, in 1860 and is now president of the well-known Boston house of William Filene's Sons Co. His business success is vividly pictured by Mr. Justice Brandeis in his address on "Business—A Profession," which is printed elsewhere in this volume. "In 1891 the Filenes occupied two tiny retail stores in Boston. The floor space of each was only twenty feet square. . . . Twenty years later their sales were nearly \$5,000,000 a year. In September, 1912, they moved into a new building with more than nine acres of floor space." But this great business success was not attained by mere devotion to money-making. As Mr. Brandeis points out, "The Filenes have accepted and applied the principles of industrial democracy and of social justice." Mr. Filene has been prominent in business and civic organizations, and he has often spoken on labor and industrial relations. In this address, "Why Men Strike," he is offering not the remedies of a theorist but those which he has actually tried and found practicable. It was given before the Economic Club of New York, May 3, 1922.]

WHY do men strike? Primarily because they instinctively dislike to be bossed. All men dislike to be bossed, employer and employee alike. They dislike it because experience has shown that no man is wise enough to have autocratic power over another man. Being mere mortals, at our best, we make mistakes; and if these mistakes affect other men who have to submit to them, they are liable to exaggerate them and rebel against them. They believe that if the decision had lain with them the mistakes would not have been made.

Constructive criticism of a kindly nature is scarce. But the average man finds it easy to criticise the mistakes and evils in a thing. There is, therefore, a tendency on general principles to criticise and resist the employer. If the major part of strikes is to be avoided we employers must recognize that the inevitable and normal trend is this way. By careful study of

the whole situation and wise, sympathetic organization we must meet the tendency.

Men strike because they are injured by real mistakes or because they believe themselves to be injured by the terms of their employment. In such strikes they are often unsuccessful and the grievances remain. For these reasons they sometimes dwell upon the objectionable features of their employment until they become tense and bitter. There grows up in consequence a distrust or hate of the whole present system. Irresponsible leaders who voice and trade on this discontent easily get a following. There is also a reaction toward socialism and communism which are presented as panaceas for the ills that are complained of.

REACTION TO SOCIALISM OR COMMUNISM NO REMEDY

For many years I have studied carefully the relations between employer and employee, under our so-called capitalistic system. I have also studied socialism and communism as proposed substitutes for it. I am forced to the conclusion that as men are constituted at the present time socialism and communism are not practical remedies. I am convinced also that the greater part of the wealth of employers is legitimately gained and that all the world is richer because of their wealth. Henry Ford is not the only man who has become rich through serving the public. Many an employer's wealth has been, as Mr. Henry Holt has well pointed out:

"Derived from processes and economies of his own devising and directing without which his income would not exist at all and the income of his employees would be less."

But firmly convinced as I am of this truth, I am just as firmly convinced that the present wage system is not infallible or final, but is only a step on the road from serfdom and slavery to improved forms of just and effective coöperation that the experience and wisdom of men will evolve from generation to generation. But as the present system is the road that must for the present be utilized for the upward march of all of us, employer and employee alike, we employers will do well to study it carefully with the object of understanding its weaknesses and remedying its defects.

My study of industrial relations has convinced me of four things:

1. That in a political democracy such as ours the autocratic control of industry by employers is a fruitful breeder of strikes and is in the long run impractical;

2. That we often pay counterfeit wages when we intend to pay real wages, thus causing discontent, conflict and strikes;

3. That the present so-called capitalistic system has accumulated and is still using, outgrown ideas and customs that are needlessly offensive to our employees, and that it needs to be brought up to date;

4. That the basic remedy for the evils of industrialism and hence for strikes lies in making business a profession—that is, in realizing, in act as well as in thought, that a business has no right to make a profit except as it serves the community.

Let us briefly review these four conclusions:

I. INDUSTRIAL AUTOCRACY AND DEMOCRACY

All of us employers are believers in the right of private property. Almost all of us translate that faith, consciously or subconsciously, into a conviction that our property is so completely our own that society should keep its hand off of it. We hold that if it must touch our property at all it should do so only to the slightest possible extent, and only after having first recognized and acknowledged, that it was interfering with our rights. Of course any analysis of this position shows that it is not very sound. It amounts to setting up property rights as superior to personal rights; to an appeal to society to safeguard our selfish interests against the common interests of the society to which we appeal; to an insistence at times on the duty of government to protect us in our imagined and artificial rights to the detriment and loss of the whole group of citizens of which we are a part. And this view tends, unfortunately, to develop an autocratic spirit among us.

Applying this idea of property as exclusively our own to our relations with our employees, we probably feel that we have undoubted right to determine the conditions under which these employees shall work, provided we do it lawfully. And here we find one of the reasons why men strike—a source of griev-

ance which can be shown to be the real cause of many strikes where other reasons are put forward. Most of our employees—all of those who have been educated in this country—have been taught from childhood that it is their inalienable right as freemen to have a hand in determining the political laws under which they live. They have heard it reiterated by their teachers in the public schools and by the interpreters of our free institutions on every public occasion. They read it in the daily press.

Men so taught are not going to stop short of applying this axiom, that grows out of the political system under which they are governed, to the industrial system under which they live and labor. Inevitably they are claiming the right to have an effective voice in the determining of conditions under which they work. These economic conditions are even more important to them than the political conditions. They have occasion for the expression of their political views at infrequent intervals. They are conscious of the exactions and burdens of government only now and then. But the urge to have an adequate voice in determining industrial conditions is daily, yes hourly, insistent. Every accident that is costly to labor, every additional expense in their living, every new baby, every new ideal, every new material desire such as an automobile or a house, serves as an occasion for reopening the question whether their wages are justly and generously determined. The result of such questioning is surely a further incentive in their minds to the greater assertion of their rights, as the preponderant human factors in industry, to have a voice in the control of conditions of labor and of the rate of wages. And this assertion of right, if opposed by the employer, often means another strike.

Then to this is added the periodic recurrence of bad times, with its masses out of employment, and the fear of the loss of the job—one of the most terrifying apprehensions of the average workingman with a family. Under these conditions men feel themselves compelled to fight, by strikes or otherwise, for a greater voice in determining the conditions under which they labor. They are led on by the idea that if they have this greater voice they will so regulate and control production and distribution that not only will there be no fear of loss of the

job, but there will also be sufficient wages to satisfy their needs and their desires.

My own life-long experience and study as an employer convinces me that autocratic control by employees would be even worse than autocratic control by employers. There is nothing in democracy that can perform miracles in production and distribution. There is nothing in the democratic principle in industry that in itself will take the place of expert knowledge, technical skill and trained industrial vision. No man in the factory, whether employer or employee, if he were hurt by a machine, would be willing to have a committee of his fellow-workmen meet and vote how badly he was hurt and how he should be cured. They would send for the trained, skilled specialist, the doctor or the surgeon. Likewise, when the business is hurt, it cannot be cured by a vote of management-sharing employees, unless those so voting are mentally and technically trained to know what they are voting about and are basically so interested that they will put their best into their decision.

It all comes to this, that autocratic control whether by employer or employee, is bad—the one almost as objectionable as the other; and that men are striking to-day as a protest against autocratic control by capital, and as the most effective way of expressing their demand for an adequate voice in the conditions under which they work. They are vitally interested. They will continue to strike until provision is made for giving them adequate representation in boards of directors or in those shop committees, by whatever name they may be called, in which employers and employees work hand in hand to advance both the business and the legitimate interests of the human beings who put their lives into it and get their livelihood from it. This is largely recognized by employers now and the growth of these joint committees has for some years been marked.

2. COUNTERFEIT WAGES

But even if joint-control of management is immensely successful it will not alone remove all the grievances that make men strike. It is necessary now to examine into the second of our causes.

A large proportion of the industrial disputes and strikes are due to the fact of the employee receiving an inadequate wage without the direct fault of the employer. An industrial system that subdivides the manufacturing process until the individual worker is only a part of the machine, and which then denies him participation in management, must of necessity leave him with a little if any interest in the business. His main concern will then be in the wage return he gets for his work. Under such conditions, any interference with those wages that reduces their purchasing power, is a serious matter, sure to create discontent and conflict.

Counterfeit wages is a term that I have invented—whether good or bad you must judge—to characterize this inadequate wage that comes about from some of the many causes that reduce the purchasing power of money. Counterfeit wages are any wages however large they may be in dollars that will not buy the necessities of life, and enough luxuries to make working for necessities a desirable thing and also to enable the recipient to make modest but adequate provision for sickness and old age. Counterfeit money has no value. Counterfeit wages have too little value when measured against the purposes which wages must serve. It is not a question of how much a man receives but of what he can buy for what he gets. Wages may double, but if prices more than double then wages are counterfeit to the extent that prices have outrun the increased wages.

The causes that turn a good wage into a counterfeit wage are various. The speculation or the profiteering that raises the cost of homes, or the rent of houses, factories or shops may make a draft on the pockets of numberless employees that goes far to turn wages that have been adequate into counterfeit wages. Speculating or profiteering in the necessities of life has the same result. Manipulation of securities of public service corporations that raises the price of street car fares, gas and electricity helps to turn a fair wage into a counterfeit wage. The enactment of tariff laws that by crippling our foreign customers shuts down our factories at home, or, by fostering bad trust agreements or undue profits, increases the cost of domestic goods, helps to make wages counterfeit. The merchant who by costly methods of retail or wholesale distribution adds unduly to the manufacturing cost of commodities makes

inadequate and counterfeit a wage which might be adequate if goods were sold with less expense. The excessive fixed charges that result from watered stocks and from capitalizing expenses, or unfair "good-will" values, raise the living cost of the purchaser and increase the counterfeit margin of his wage. The inefficient and expensive government, local, state and national, that results from our easy-going American methods of choosing untrained administrators and from the partisanship that neglects the principles of good government in the effort to get and keep office, cuts down the value of every dollar that goes into the pocket of the workman—helps to make them counterfeit. The limiting of output by labor unions, resulting in fewer and higher-cost products, is a method by which the workmen themselves turn their own dollars and the dollars of other wage-earners into counterfeit. Wittingly or unwittingly, employers and employees alike are often wage counterfeiters.

The fact that wages however large will not buy the things our employees want and need, induces discontent and a sense of being thwarted and wronged. This discrepancy between income and needed outgo makes men ready to listen to the irresponsible agitator who tells them that they are deliberately and constantly being robbed by us employers or by organized finance.

The method of thinking of wages in terms of dollars rather than in terms of commodities, recreation and savings is one that must be changed. There is nothing sacred about it. Together with many other unscientific and indefensible features of civilized life, it just "happened" to grow up. Discontent and strikes as a result of counterfeit wages will continue until a method of determining wages is adopted that will keep them fairly proportioned to the outgo essential to the maintenance of the American standard of living—a standard on which we Americans justly pride ourselves and which we employers are generally as willing to pay as our employees are to receive.

The return for paying genuine wages rather than counterfeit more than makes up to the employer and to society for the extra money expenditure. The genuine wage tends to provide happy, healthy, contented and loyal employees.

If their wages are adequate to provide the necessities of life

for their families and allow also for recreation and provision for illness and old age, they are increasingly freed from worry and are thereby made more efficient employees. If their wages enable them to buy freely, the value of the American market is maintained, to the profit alike of the manufacturer, the farmer and of the workman who makes and the merchant who sells the product of the factory, mine and the farm. Best of all, it will remove one of the most fertile causes of strikes.

An important part of the responsibility for the adequacy of wages must be assumed by us employers. We are sometimes little schooled in theories of social welfare, have little imagination outside of our own immediate field of business management and are prone to think of our duties in terms of money-success or money-failure to the exclusion of terms of human welfare. It is most often members of our own employer class, also, who turn real wages into counterfeit. This being the case we cannot easily justify ourselves in taking a position of irresponsibility in the premises. The responsibility for reducing the excessive costs of retail distribution belongs to me and to my fellow retail merchants. We employers should fight all excessive capitalization whose fixed charges help to turn into counterfeit the otherwise adequate wages we pay our employees. Our men of finance should see that the English law is adopted and enforced that requires a statement to be made to every purchaser of stock showing the promoter's profit and the real assets and liabilities of the Company. It is up to us to help provide credit unions or other safe and democratic means of saving and investing earnings. The training of the wage-earner in the use of his money so that by purchasing merchandise of good quality at the lowest possible price he will help to keep his wages real, is also our responsibility at least to a degree. Our responsibility is at least equal to that of our employees to see to it that they are not compelled to pay a street car fare of 10 cents to get to and from our places of business when devoted and wise administration of public service corporations might make 5 or 7 cents adequate. The same thing applies to railroad fares and freight rates. The responsibility to provide comfortable, attractive and sanitary housing at fair prices primarily belongs to the employer of labor. In any event we are responsi-

ble if we allow speculation in land and housing so to increase rents as to make wages counterfeit.

Our influence should be thrown, I believe, against excessive tariffs and other forms of interference with trade that, if they increase the profits of the employer at all, do so at the expense of the wage-earner, of the farmer, and of the general public.

We employers should also make use of the price indexes provided by the Department of Labor at Washington, and by several private agencies, as a scientific and business-like aid in an attempt to solve the problem of counterfeit wages through use of a sliding wage scale. It may be that the stabilization of the purchasing power of the dollar along the lines advanced by economists will sometimes help to remove some of the problems of the counterfeit wage. A scientific solution is highly desirable but may take many years to bring about.

If we employers are to have fewer strikes, in the meantime, we must learn to think more of wages in terms of what they will buy than in terms of dollars and cents. When we do this we shall do away with many of the causes that make wages counterfeit. Because a man belongs to our club or our church will no longer be a reason for our standing by supinely and allowing him, by manipulation, speculation or profiteering to make counterfeit the wages we pay.

3. OUTGROWN FEATURES OF THE WAGE SYSTEM

Let us now turn to a third reason why men strike.

We all recognize the truth of the statement that our present so-called capitalistic system is still using inherited ideas and customs that, although not discarded have really been outgrown. We know also that it needs to readjust its ideas, get rid of old abuses, and reduce the number of points at which friction between employer and employee is generated. Because I am not ready to burn my house down is no reason why I should not repair or replace a dangerous plumbing system. Because we are not ready to destroy the present organization of industry and put socialism or communism in its place, is no reason why we should not get rid of its abuses and bring it up to date.

Many employers and important organizations have made and are still making attempts further to humanize and improve our industrial system. One of the most significant, as well as most courageous, is that made by the Federal Council of Churches of America in formulating and publishing its social creed. This social creed is of very great significance, emanating as it does from a body that represents substantially a half of the American people, and which is one of the most conservative elements in our American life.

This formulation is a creed and an ideal rather than a program of action. Difficulties and differences of opinion will no doubt be encountered in forging these ideals into a working program. Some of them may need to be restated and revised. It is a statement, however, which employers cannot afford to overlook or ignore. Progress is going to be made toward their achievement and leadership will come into the hands of those who undertake to apply, in good faith, such principles as the churches have here formulated. It can hardly be doubted moreover that the stability of our social and economic institutions will depend in no small part on the growth among employees of confidence in the right-mindedness and right-heartedness of the leaders of business and industry.

I do not have time at my disposal in which to discuss at length a social program. I may be indulged, however, in pointing out certain as yet partially achieved goals which a consensus of informed opinion, both among employers and employees, recognizes as practical and just. This moderate program, if achieved, would go far to do away with strikes.

The right of employees to a voice in determining the conditions under which they shall work and to a stable and living wage have already been dealt with. Other goals that are now generally recognized as right and just, include:

- (1) The right of employees to unite for purposes of collective bargaining;
- (2) A gradual and reasonable reduction in hours of labor;
- (3) Compensation for industrial accidents as a just charge on industry;
- (4) The right of labor to be safeguarded in all matters per-

taining to health, steady employment and good working conditions.

Men and women fit for American citizenship, the working hours of whose lives must be spent in stores and factories, in mines and on farms and railroads, must and will demand just solutions of such problems as are presented by these statements of principle. It is to the advantage of us employers to lead in finding these solutions. It is to the advantage of the consumer and of society that we shall do so. If the elimination of outgrown ideas and the righting of old wrongs is left to labor alone, wage conflicts and strikes will continue on an increasing scale. The strike is their principal weapon. If they are forced to fight for their rights they must and will use it.

A great employer of labor said to me during the war, "When we employers in the past have had the advantage of our employees by reason of an over-supply of labor, we have used it for our own selfish ends. Labor now has the whip-hand and is merely doing to us what we have done to it in the past. I wonder," he added, "which of us will be wise enough to end this wasteful process of industrial conflict by first using its period of power wisely and generously?"

The opportunity of the employer has now arrived. The future relations of employer and employee will depend in no small degree on whether or not employers as a group, by hard thinking and friendly conference with our employees, go honestly at work to bring the industrial system up to date.

4. THE BASIC REMEDY FOR STRIKES

Important for the establishment of good industrial relations as are the three matters of which I have spoken, there is in my judgment a fourth reason of a still more fundamental nature—namely, that business shall more and more become a profession and be carried on in a spirit of service to the community.

The motive with which the employer directs his business and with which the employee works will in the last analysis determine whether there will be industrial war or industrial peace.

Asked recently by the editor of *The Annals* to prepare an article on "A Simple Code of Business Ethics" as one of a series of studies on the ethics of the several business and professional groups, I ventured to base it on two brief formulas:—

- (1) That a business in order to have the right to succeed, must be of real service to the community;
- (2) That real service in business consists in making or selling merchandise of reliable quality for the lowest practically possible price, provided that merchandise is made and sold under just conditions.

The merchandise must be sold as cheaply as possible so that as many as possible may buy as much as they need. It must be made and sold under just conditions, as one must not oppress his employees in order to make merchandise cheaper than it should be to his customers. But the chief point of the ethics of the profession of business, as I understand it, is that the great buying public is to be served by giving them dependable merchandise at an ever cheaper and cheaper price.

One of the tragedies in our industrial life to-day is that when we employers are finally successful and the difficulties and perplexities are over that in our earlier years prevented us from giving full coöperation in solving the problems of our employees, and we have at last gained the financial freedom that enables us to decide questions between ourselves and our employees on their merits, we so often fail to use our new-found freedom to this end. We often begin, instead, to use our thought, time and money to build bigger houses than we need, to buy too expensive pictures and live in a needless luxury. We men have learned to simplify our clothing so that in neither cost nor styles is there a yawning gulf between those of employer and employee. But only rarely do we keep our living simplified to any such degree. But even if we are too sensible or public spirited for ostentatious display, we feel that it is our first duty to give large sums of money to hospitals and other philanthropic purposes. For these and like reasons, we throw away the opportunity, won by a life of successful labor, to heal the wounds of industry.

Philanthropy becomes a sin and an offense, when it uses for

charity the earnings of industry that should be used for justice to employees and the public.

The first legitimate use of large profits, and the main use, is to reduce prices. These lower prices will, in turn, cause increased demand, increased production and increased total profit at which point prices can again be reduced. It is worse than useless to merely increase production. Prices must at the same time be reduced enough to bring in the greatly increased number of purchasers needed to absorb this greater output. Employers are wrong when they endeavor to obtain mass production through lowering wages to a degree that lessens the number of possible consumers for their product. Employees are wrong when they try to get higher real wages or more work through limiting output. Both will find it far more profitable in the long run to join hands in efforts to furnish reliable and essential merchandise to the public at prices lower than it has been sold before. In this way they will greatly increase the number of consumers and increase the demand for workmen. They will at the same time increase wages, and the purchasing power of those wages.

When this spirit of service comes to be generally recognized for what it is, namely, good business as well as good ethics, the reasons for strikes will have been greatly lessened. The coöperation that will result between employer and employee—between management and labor—is perhaps the nearest we shall need to come to common ownership or the socialization of industry. Perhaps here is the door through which the strike will make its exit and industrial peace will enter.

The practical and compelling thought in any analysis of the reasons why men strike is found in the fact that the elimination of the cause of strikes is not only good ethics but equally good business. We employers like to think of ourselves both as good business men and as good Americans. In studying and removing the reasons for strikes, we shall find the road to that real coöperation with our employees that will largely satisfy our aspirations in both directions. And a grateful general public, which after all is most concerned in the solution of the industrial question, will applaud and reward our success.

STUYVESANT FISH

ECONOMY

[Mr. Stuyvesant Fish has long been prominent as head and director of great corporations—railroad, banking and insurance. Born in New York in 1851, he has added to the honor of a family already distinguished by its public service. The address on "Economy" was given before the Louisville Board of Trade on January 25, 1906. Commenting on this address in 1922, Mr. Fish writes, "If I had time I would now add a comparison of the cost of the Federal Government, and of the Government of the State of New York and the city of New York, in 1906, with the overgrown figures of 1921." Certainly the arguments for economy are as timely now as then.]

IN order that we may clearly understand each other, permit me to define the word Economy. The Century Dictionary derives it from the Greek word *oikonomia*, which meant "the management of a household or family, or of the State, the public revenue"; and in turn derives *oikonomia*, from two other Greek words, *oikos*, a house, and *nomein*, to deal out, distribute, manage. Economy also means "the internal, and especially the pecuniary, management of any undertaking, corporation, State or the like"; and "the system of rules and regulations by which anything is managed"; and it is only latterly that the word has acquired the meaning of "thrifty and frugal housekeeping; management without loss or waste; frugality in expenditure; prudence and disposition to save."

Webster's dictionary gives the following synonyms:

"*Economy* avoids all waste and extravagance, and applies money to the best advantage; *frugality* cuts off all indulgences, and proceeds on a system of rigid and habitual saving; *parsimony* is frugality carried to an extreme, involving meanness of spirit, and a sordid mode of living. *Economy* is a virtue, and *parsimony* a vice. *Frugality* may lean to one or the other, according to the motives from which it springs."

The sense in which I shall use the word Economy is well

defined in Edmund Burke's "Letters to a Noble Lord," written in 1796, where he says:

"It may be new to his Grace, but I beg leave to tell him that mere parsimony is not economy. It is separable in theory from it; and in fact it may not be a part of economy, according to circumstances. Expense, and great expense, may be an essential part of true economy. If parsimony were to be considered as one of the kinds of that virtue, there is, however, another and higher economy. Economy is a distributive virtue, and consists, not in saving, but in selection. Parsimony requires no providence, no sagacity, no power of combination, no comparison, no judgment. Mere instinct, and that not an instinct of the noblest kind, may produce the false economy in perfection. The other economy has larger views. It demands a discriminatory judgment and a firm, sagacious mind. It shuts one door to imprudent importunity, only to open another, and a wider, to unpresuming merit."

Burke might have gone further and quoted from the Book of Proverbs: "There is that scattereth and yet increaseth."

Do not imagine that I am going to weary you with an address on political economy, or to impose upon you a discussion of the tariff. I do wish, however, to call your attention to the lack of, and the necessity for, economy in the household, in the state, and in corporate management. It is now, in this era of unbounded prosperity, which is so especially marked at the South and in the West, and which, given good crops and peace, seems so sure to continue, that I wish to preach the Higher Economy.

I. HOUSEHOLD ECONOMY

As to the household, no one will question that our people are spendthrifts, earning money freely and wasting it to such an extent as to make it proverbial that what is thrown out of our kitchens would support a frugal people in almost any country of Europe. While we have in recent years become in no small measure manufacturers, we are still essentially an agricultural people, producing from the soil more than we consume and exporting the surplus; hence any sum, however small, which on the average is saved by each citizen, re-

dounds to the benefit of all by increasing our accumulated capital. During the bad times which followed 1893, I had occasion more than once to draw attention to the fact that we were then getting rich rapidly, because our people had then recently learnt frugality in the hard school of adversity, and were at that time saving. This daily saving by the people, however, small it may be, amounts to an enormous sum annually. Whether our 85,000,000 of fellow countrymen save or waste it, it is hardly imaginable that they can save or waste less than five cents per capita per day. This would amount to \$4,250,000 daily, and \$1,551,250,000 yearly. While it is impossible to state exactly how much is at any given time being wasted or saved, it is to my mind just as clear that as a people we are to-day wasting, as it was in 1894, 1895 and 1896 that we were then saving. This is the first fact which I desire to emphasize, leaving it to the future, and the reasonable near future, to point the moral.

II. PUBLIC ECONOMY

Turning now to our general, or public economy: No one can examine the appropriations made by Congress, by the State Legislatures, and by our municipal governments, without appreciating that there is in each a conspicuous and growing lack of economy. There are not only waste and extravagance in administration, and what is now commonly called "graft," which is a combination of bribery and larceny, but, what is economically worse, the laws are so framed as not to get the best use out of the taxes paid by the people. What we have to fear is not so much the magnitude of the appropriations as that our laws require that an uneconomical and therefore bad use be made of them.

By way of illustration, permit me to cite some figures from the recent report of my very good friend, Postmaster-General Cortelyou, on the department which, so far as existing laws admit, he is administering most admirably. The Postmaster-General's report for 1905 shows a deficit of \$14,572,584, against a similar deficit in the preceding year of \$8,779,492.

Government free matter carried in the mails constituted full one-eighth of the entire weight carried, and involved a loss of

nearly twenty millions of dollars. Had this been prepaid, the postage thereon would have far exceeded the deficiency. Regardless of any other consideration, this is bad economy, and for it the responsibility rests with the laws and not with their administration.

Rural free delivery cost \$20,819,944, and the loss in rendering this service is safely and conservatively estimated at more than fifteen millions.

In the carriage of second-class matter—newspapers, etc.—at rates lower than other printed matter, which return to the Government from one-fifth to one-eighth, only, of the cost of rendering the service, there was a further loss which can not be figured below twenty-seven million dollars.

The free delivery of newspapers in the county of publication costs the Government more than one million.

In these four items we find a loss exceeding sixty-three millions of dollars (\$63,000,000) per annum. Is it surprising that, under laws which not only permit but require such waste of the public revenues, there is a deficit, and that the deficit should be growing rapidly?

Nor is it avoidable that under such methods of carrying on business, there have come to the surface, even in the administration of the Federal Government, which we had been disposed to look upon as honest and thorough, a condition of inefficiency and dishonesty in various branches, which, to say the least, calls for a halt. I am not one of those who, here at the South and to a Democratic audience, or elsewhere, would be disposed to criticise the Federal administration for this. On the contrary, Mr. Roosevelt's well-known character, and the vigor with which he has over and again taken up matters of this sort, is one of the most helpful, and by all means the most hopeful, consideration which we have for the future in this regard.

Let us also look into our fiscal system. We hold not only the largest stock of gold of any country in the world, and are, with the possible exception of South America, the largest producer thereof, but our supply per capita, though somewhat smaller than that of France, is larger than that of Germany and very much larger than that of Great Britain. So also of silver. And when we come to consider the stock of money of

all kinds—gold, silver and paper—we find that we have per capita about as much as France, half as much more as Germany and nearly twice as much as Great Britain. And yet we have within a month seen money lending in New York at one hundred per cent. per annum. It is obvious that we make a very poor use of abundant means.

Here again the trouble is not in the administration of the laws, but in their being of themselves economically bad; and I could cite many other instances.

To the curious on this subject I would recommend reading Herbert Spencer's chapter on "The Sins of Legislators," which will be found in the later editions of his "Social Statics" under the general heading, "The Man vs. the State."

The Spanish War has entailed on us Colonies and the duty of governing them and policing the sea with a great navy. With this there has arisen, and will remain, the constant danger of new foreign wars, which the experience of all other nations so situated warns us to expect. Moreover, any of the Latin American Republics may, under the extreme and growing interpretations which have of late been put upon the already overstrained Monroe Doctrine, involve us in a calamity of this sort at any time; for as Mr. McKinley did not, despite his honest efforts, keep us out of the Spanish War, it is safe to say that no President will in the future be able to guard us from war. In the words of Mr. Cleveland, "We are confronted with a condition, not a theory." All of which emphasizes the need of strictly watching and thoroughly reforming our public economy in all its branches—Federal, State and Municipal.

III. CORPORATE ECONOMY

I need not repeat that the country is prospering and likely to so continue. While fully appreciating these facts, we can not shut our eyes to the trouble that has been going on in the center of our financial system. Much has been said in the press, not only at the West, but even in conservative Boston, which reminds us of the old fable of the quarrel which the various members of the human body had with the stomach, for after all, it is in Wall Street that securities are "digested."

With most of what has been said in violent denunciation of anything and everything in Wall Street, you and I can have no sympathy, although on the other hand we must admit that much is wrong there. The situation may be illustrated by a rather unpleasant simile. Throughout all time men have had trouble with their digestive processes, until in our day much from which our fathers had ignorantly suffered as pain or inflammation in those parts, has been distinctly diagnosed as coming from the appendix vermiform, and modern surgery has in thousands of cases succeeded in safely removing that rudimentary and useless organ, to the great relief of the race. Having looked into the matter myself somewhat carefully of late, I beg to say to you in all seriousness that not only in the insurance companies, but in many other corporations, there is need of the advice, and probably of the knife of the trained surgeon. There is wrong in the management of many corporations, and it should be removed, cost what it may, for the benefit alike of the patient and of the community. Without pretending to any superior knowledge on the subject, but having given to it thought not only of late, but for years past with respect to corporations generally, I think that the root of the evil lies in too few men having undertaken to manage too many corporations; that in so doing they have perverted the powers granted under corporate charters, and in their hurry to do a vast business have in many cases done it ill.

While the evil applies to corporations generally throughout the whole country, my meaning can perhaps be best illustrated by taking the case of the three great life insurance companies of New York—the Mutual, the New York Life, and the Equitable. A year ago these three companies had, as shown in the "Directory of Directors," published by the Audit Company of New York, ninety-two (92) trustees or directors who lived in New York. Of them one was a member of seventy-three (73) boards; another of fifty-eight (58); another of fifty-four (54); another of fifty-three (53); another of forty-nine (49); another of forty-seven (47); another of forty-three (43); and another of forty-one (41). And, to sum up, those ninety-two gentlemen held fourteen hundred and thirty-nine (1,439) directorships in corporations which were sufficiently well known to be recorded in the directory above referred to.

I submit that the intention of the state in granting corporate charters was that the directors of each corporation should meet frequently, have full knowledge of its affairs, discuss them deliberately, and then exercise the best judgment of the whole body. That this can be and is done to-day is shown in a letter recently written by President Taylor, of the Connecticut Mutual Life Insurance Company, from which it appears that its board meet at least once a week, and more frequently when necessary, and that they have not delegated their powers to any committee, but that the board transact all business themselves, sitting as a committee of the whole. To which I can add my personal experience in a large National Bank and in a Railroad Company, where the same sound and law-abiding practice is followed, except that the bank directors meet twice a week and the railroad board held only eighteen meetings last year.

How, then, is the business of the other companies managed? Their charters provide substantially, and in general, literally, as follows:

“All the powers of the corporation shall be vested in a board of directors (or trustees), and shall be exercised by them and such officers and agents as they may appoint.”

It goes without saying that the officers are required to report their acts, and are held to a very strict accountability; so also as to the individual agents. But the practice has arisen and is very generally followed of assuming that the insertion in such charters of the word “agents” has given to the board created thereby, the power to delegate to “Executive Committees” of their creation, all the powers which the law has vested in those boards and requires them to exercise, except on the rare occasions when such boards may be in session. To make matters worse, such boards meet at very rare intervals, quarterly or annually, chiefly, if not solely, to ratify and confirm the acts of their committees. Herein lies the worst of the evil, and it is my firm belief that if this shall be brought distinctly to the attention of the courts it will be corrected, except in cases where the original charter, or articles of association, explicitly provide for the creation of an executive committee having such power.

Do not understand me as saying that corporate boards lack power to appoint committees or to delegate to them authority to act in particular instances, or even on particular classes of subjects, making full reports thereon; but I do say that with charters worded as above, I, for one, fail to see any power in the board to permanently abdicate the whole or any part of the discretionary powers vested by law in them to a committee of their creation.

I have pointed out briefly, and I trust, not unkindly, some of the evils which now affect for ill the economy of the household, of the state, and of the corporations. In each, we, who—as breadwinners, as taxpayers and as stockholders—provide the wherewithal, suffer because we have set others to rule over us without holding them to that strict accountability for the discharge of their trust, which the common law and common sense alike demand. Indeed, things have come to such a pass that in certain quarters it is now considered indecorous and ill-bred for us, the many, to even discuss, much less to correct, the shortcomings of the elect few. Such was neither the theory nor the practice on which our forefathers ordered the economy of this Republic.

Without going the length of those who, from motives of personal vanity or of personal gain, are so freely preaching and writing vain doctrine, let me ask you who have so long stood for sound doctrine, to join with all our intelligent and conservative fellow countrymen in demanding sound, patient and discriminating Economy.

ELBERT HENRY GARY

LABOR

[Mr. Elbert Henry Gary, as Chairman and Executive Officer of the U. S. Steel Corporation, holds what is probably the most important executive position in modern industry. Born on his father's farm near Wheaton, Ill., he graduated from the law school of the University of Chicago in 1867 and was for twenty-five years in the general practice of law, from which he retired to become President of the Federal Steel Co. Since then he has been identified with the great steel corporation of which he is now the head.

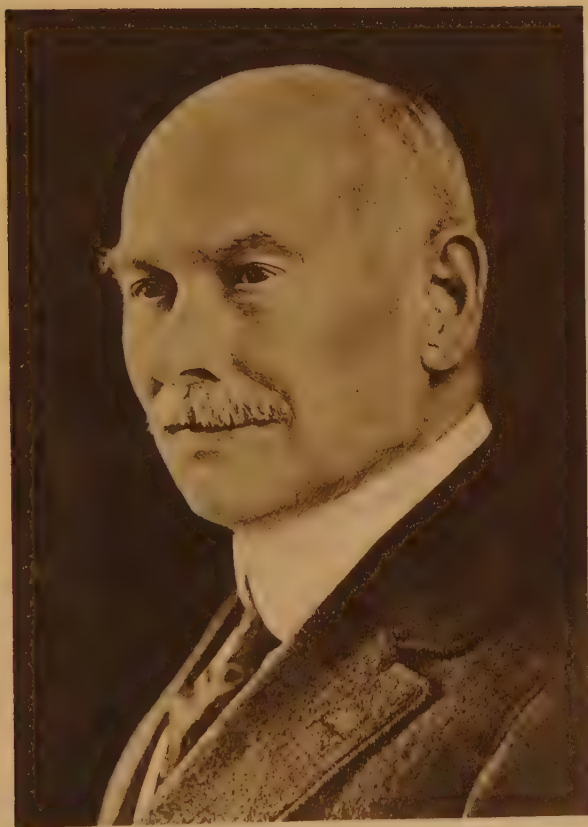
Judge Gary evidently believes that there is much in the business of great corporations which is open to public discussion. In a series of thoughtful addresses on different occasions he has spoken on many of the great problems of capital, labor and management. The address "Labor" was given at Trinity College, Hartford, Conn., June 23, 1919.]

It is not yet fully realized what has happened to the world during the last five years; and in a much less degree can it be conceived what will occur during the next like period.

We know that in nearly every part of the globe the people are passing through a transitional stage which is uncertain and which presents new and difficult problems of great consequence. It is a time of suspense and apprehension.

We have been living in an atmosphere of disorder and devastation, as opposed to order and preservation; of deliberate, successful effort to utilize all the elements of human knowledge, skill and energy in the destruction of life and property, often in disregard of the laws of God and man. While it is impossible to measure the full effect of these conditions upon the human mind and disposition, it is apparent that in many cases it is degenerating and serious.

The means of personal communication have reached the point where practically the whole world is promptly informed of the actions and thoughts of the people of the different parts. Consequently the attitude of the inhabitants of one location may have



ELBERT H. GARY

an influence, good or bad, upon those who abide in other places; and therefore the responsibilities of all are now greater than ever before.

We are entering upon an era of readjustment and reconstruction. Many problems of vital interest affecting the future of the human race are presented for consideration as the result of the war, some of them new and others arising from the application of old principles to new conditions; and it is essential that we build on solid foundations for future developments. It is sufficient at this time to say that there is a feeling of anxiety which disturbs the minds of human beings generally; and it is of the highest importance that conclusions shall be reached which will aid in restoring confidence and serenity; decisions based on principles of righteousness and justice. It is probable the feeling of unrest and dissatisfaction, which has been extensively advertised, has been greatly exaggerated, especially as to the numbers affected; nevertheless in other countries to a large extent, and in this country to a less degree, there exists a belief that radical changes in Government control and administration are necessary. Agitation and propaganda, which are vicious and participated in by those who are totally unworthy, have had some influence even upon well-disposed persons. This is largely because of the abnormal conditions of mind, created by the military cataclysm through which we have been passing during the last four years or more.

It is the solemn duty of every individual, every aggregation of individuals, to assist in bringing about stable conditions which are healthful—morally, socially and economically; and if this shall be the effort of all it need not be feared there will be experienced the overthrow of civilization, the disregard of freedom and liberty or the protection of life and property, which occasionally an ill-advised or evil-intentioned speaker or writer proclaims is now threatening the world.

And there are momentous questions raised even by high-minded individuals which demand our attention. In the discussions of the time, public and private, are contained what are generally designated the labor questions. While some of them are more or less delicate and are difficult in treatment because of misconception of the facts and circumstances in particular instances, still I think there should be frank and full reference

to and analysis of the underlying principles which pertain to this subject. The comments which will be made represent views which are entirely personal.

In referring to labor one naturally inquires what is meant by the term and whom it includes. In a comprehensive sense labor is performed by nearly every one in sound condition. Even physical labor is a large part of the daily work of the vast majority of individuals. The rates of compensation do not determine who are laborers, for they differ materially, depending upon circumstances. Labor is not confined to physical activity, but also includes mental exertion. The extent of effort or the hours engaged will not furnish a basis for determination; the possessor of wealth, or the one in control of its use, frequently, if not generally, devotes more hours daily to his business than the lowest paid and least competent of workmen; the capitalist usually works and the hand laborer, to a greater or less extent, not uncommonly has capital.

There is no standard for drawing an exact line between labor and capital. If one will call to mind the different kinds of business and consider carefully and in detail the pertinent facts applicable, these observations will be patent.

In the discussion of this matter, for the moment, the laborer may be referred to as covering both men and women whose principal work is physical, who require no special literary qualifications, or skill derived from long experience, and are often designated as wage-earners or workmen. They are the ones who are relied upon by the reckless, iniquitous, self-appointed disturbers of peace to assist in movements to override law and order, for it is assumed they are most easily persuaded.

Fortunately, the large majority of wage-earners cannot be influenced by considerations that are base or unreasonable. This is especially true in the United States.

It may be useful to bear in mind that in trying to arrive at a wise and just conclusion concerning the rights of the workmen the interests of four general groups must be considered, viz: labor, capital or employer, the consumer, and that part of the general public not included in the divisions especially mentioned. None of these should be overlooked, each must

be fully protected within reason and justice. When something is done to increase or decrease the advantages of one of these groups some or all of the others may be correspondingly concerned, particularly if it involves pecuniary consideration; for instance, if what is proposed relates to the rate of compensation to the workmen, or anything bearing upon the cost of production.

Employer and employee must both be considered at all times and each should be adequately and fairly rewarded for his contribution in money or work to a given enterprise, as otherwise the incentive for investment or effort would be diminished, if not entirely removed. A nation whose economic resources are not utilized to the best advantage and to the full extent of capability cannot be expected to progress in accordance with its opportunities in the legitimate attempt to hold its position in the onward stride of nations.

If the return on capital invested is not reasonable it will be withdrawn or diminished, or, at least, extensions will not be made; and in that case employment will be reduced. If the workers are not properly treated then capital will suffer either by the retirement of the workmen or indifference to duty. Each is equally dependent upon the other for the full measure of success. The capitalist can, if necessary, to a limited extent, perform the various tasks pertaining to his business and perhaps thus supply the necessities of life; the laborer, without any capital, resulting from work or otherwise, would find it more difficult to supply his necessities. Each one of these groups, for self-protection, must cultivate the friendship and study the interests of the other.

Assuming that the pecuniary conditions of the capitalist and laborer are established on a basis of justice as between themselves, the next consideration is the relationship between these two combined and the consumer. If the latter could be left out of consideration then there need be no difficulty or difference between employer and employee concerning compensation or other advantages, for whatever was added to the profit of either could be charged to the consumer by increasing the selling prices of the output. I am not discussing relative prices or amounts; that must always be based, more or less, upon ex-

isting conditions, such as those relating to supply and demand, as well as the risks involved, the nature of the employment, the results achieved, *et cetera*.

The three groups are intimately connected. Whenever labor receives increases in wages, or other pecuniary advantages, the amount must be charged to and paid by the consumer, provided capital is not receiving more than it is entitled to receive. Consequently the question of selling prices or wages in many cases practically relates only to the laborer and the consumer. In estimating the cost of production from the raw to the finished material it should be borne in mind that 85 or 90% of the total is confined to the sum paid for labor. If capital or labor is receiving a larger return than it ought to have the excess is provided by the consumer in paying improper prices. There should always be maintained a fair and reasonable equilibrium, taking into account all the circumstances.

And in discussing the rights of the consumer it must not be overlooked that the capitalists and the laborers are consumers as well as the general public; and therefore that when the capitalist, the laborer or the general public is seeking any advance in rates or returns which adds to the cost of production or delivery of commodities the one who urges the increase may be proposing to add to selling prices and to the prevailing cost of living. A man may be demanding a supposed benefit to himself when in fact the total net result will be a personal disadvantage.

Also, when we consider that the three groups named are closely connected we cannot overlook the most important fact that the effort of anyone to advance wages or prices with resulting costs of production, may be simply a step in adding to the cost of living and consequently a higher standard of general prices with a relatively lower value of the standard dollar.

If we would have a stable, reasonable standard of values, we must, so far as proper and practicable, arrive at and maintain a correct relation between the different groups already particularly referred to. The Government could perhaps endeavor to determine and regulate the respective interests and rights of each, but coupled with the thought there are immediately conceived complicated and doubtful questions which would make the suggestion appear impracticable. When proposals of this

character have been made there have appeared objections by both employers and employees. This is not the time or place for debate upon that subject.

We come now directly to the treatment of labor, which is the principal topic of this discourse. In the past it is doubtful if the workingman throughout the world received his just deserts. In the long ago he was designated the servant of a master and even the laws were framed for the undue benefit of the latter. This was more noticeable in some countries than in others. Possibly the attitude of the so-called servant was sometimes unreasonable and provoked hostility, but, if so, in the opinion of the considerate person of the present day, this furnished no excuse for retaliatory or unfair treatment on the part of the employer.

Fortunately for all mankind, employers and employees as a rule now entertain a more enlightened view of the relationship between them; and because of the practical demonstrations of this fact there is comparatively little likelihood of disturbances inimical to business progress and composure. Agitators, frequently influenced by motives of cupidity, with selfish and unscrupulous designs, regardless of the public good, will bring about temporary disorder, but I firmly believe that if the employers generally in the treatment of their employees are governed by honorable, intelligent and liberal policies there will be no considerable danger of disregard of law or of interference with the orderly progress of human enterprise. Wise, just, considerate treatment by an individual, or an aggregation of individuals, toward others will result in reciprocity and coöperation. Accomplishment by force in any form must give way to reason and conciliation. This is not idealistic; it is practical common sense. The Golden Rule, more and more, should and will be practiced in everyday economic life.

In considering the relationship between employers and employees the welfare of the latter is of the highest importance, not alone because it is right, though that is reason enough, but also because it is for the benefit of the employers themselves. These groups are associated for mutual profit. They succeed or fail together. Each has obligations and responsibilities. They are not and should not be considered partners in the sense of being entitled to the control of the business in question or to participate

in the return on the capital invested, except to the extent of contribution by each to such capital, for otherwise one would share in benefits without sharing the hazards of investment. Prospective profits furnish the incentive to embark in enterprise and to risk capital. To the extent this is removed or hampered to a corresponding degree will capital be withheld or diverted and economic activity diminished.

But there are many things the employee is justly entitled to. There is due him fair and reasonable compensation, depending upon all the circumstances surrounding the employment. The times, places, services, and results of operation are important to be considered. Necessarily and properly the question of supply and demand is, and always will be a factor in determining prices of labor, as it is in dealing with commodities. This is elementary and healthy; but there are other things of equal importance. When there is a well grounded doubt in regard to wage rates it should be resolved in favor of the employee.

Of equal consequence are the safety and health, moral, mental and physical, of the employee, and so far as practicable, his family, if he has any. Safety appliances, the best and most modern, should be installed and maintained in every line of employment which presents dangers to the person. Medical, surgical, and hospital facilities should be adequate. Sanitary arrangements should be as near perfect as business conditions permit. Approved systems for voluntary relief in case of accident, and pensions in case of old age or other disability, should be in force. Habitable working quarters and homes, vegetable and flower gardens, schools, churches, parks, wholesome amusements and exercises, should be provided; and in fact everything practicable in the management of business affairs, from the highest sense of propriety and obligation should be available. In times of great temporary stress the employee or his family ought not to be permitted to suffer for lack of the necessities of life. It pays big, in dollars and cents, for the employer to maintain working conditions which are beneficial to the health and the disposition of the employee.

While it is not the purpose of this address to discuss the temperance question, I venture to remark in passing, that it is decidedly for the interest of the laboring man, and all others for

that matter, whether they work with their brains or hands, or both, to abstain from the use of alcoholic stimulants. They will be more successful in life, financially and otherwise; better citizens, morally and mentally; of higher standing and greater influence; more contented and happier. Temperance means fewer hospitals, almshouses and prisons; less suffering and misery.

The workmen ought in some form to be offered opportunity to invest on favorable terms in the business inaugurated by the employer. This encourages thoughtful attention and endeavor to economize and save. It makes the wage-earner an actual partner in the business of the concern with which he is associated; a real capitalist. Many of the wage-earners have heretofore become property owners, owning the houses in which, with their families, they reside. Some are the holders of interest bearing securities. The number of this character of investors is increasing. They have as keen a desire to see the institutions of this country protected as those who have greater riches, and they may be relied upon to lend their influence and their votes in favor of the protection of property and person. Opportunity must be given to the workmen to increase their pecuniary holdings so far as practicable. To this end I believe the employers will do their part.

Every employee should have the chance to progress from one position to another depending upon his merits. The average workman does not wish to remain in the lower grades of employment or to bring to this level others filling better positions. He desires full and fair opportunity to occupy higher and still higher places, based on efficiency and faithfulness. This he is entitled to and it must be accorded him.

Whenever we find the families of manufacturing workmen living in clean houses, surrounded by beautiful and thrifty gardens, together with the privileges of good schools and satisfactory churches, we may be certain the shops and mills are well managed and maintained in good order. What is here advocated applies more particularly to large manufacturing concerns; but the ideas should extend to every line of employment. A cheerful, contented workman is a consolation and a valuable asset to the employer and to the State. He is essential to continuous prosperity. It is the recognized duty of the employer

of to-day, as it is his pleasure, generally speaking at least, to do his part in securing this kind of labor.

We may not expect perfection in economic enterprise and management; perhaps we shall not see universal, uninterrupted tranquility, even in this highly civilized, progressive and prosperous country; but we shall not witness demoralization, revolution or retrogradation.

Those who claim that large numbers of workmen in this country could be induced to participate in any attempt to override law or order misjudge and underrate them. The great majority are opposed; and of this majority there are in control the young men and the young women; the pride and the security of the nation.

During the recent stupendous military conflict there were in the employ of one large corporation and its subsidiaries about 300,000 wage-earners. The greater part were foreign born; thousands upon thousands of them from central countries of Europe. They were appreciative of the disposition of their employers to treat them justly and in accordance with high standards of business principles. They were efficient, faithful and loyal. The manufacturing works were maintained in continuous operation throughout the war and supplied a large and important part of the material needed for the military necessities of the United States and its associates. These workers subscribed liberally to the Liberty Loans and many of them contributed to the war relief campaigns. Here was a magnificent exhibition of reciprocal sentiment and industrial coöperation. It was a demonstration that labor in this country is intelligent and honest in thought and performance; and that it may be depended upon to actively assist in the maintenance of good government.

The labor question at present is engrossing the attention of students and will continue to do so with predominant importance after the conferences at Paris are concluded. The workmen have been credited with worthy achievement or charged with lawless and destructive tendencies, perhaps in both respects in unjustified measure. The final attitude of the large majority, certainly in the United States, will be right. Their own welfare will be thus promoted.

But public sentiment, based on facts, developed particularly

by the learned, thoughtful, fair-minded, and conscientious men and women who are neither capitalists nor laborers in the sense intended by what has been said, will have, in the future, more influence upon the situation than ever before; and the attitude of the employers towards employees, if it shall be such as I have indicated it ought to be, will be a potent factor for good.

In the front ranks of great and good and successful men and women will be seen the college graduates. Much depends upon them; and they will measure up to their obligations and opportunities.

ETHICS IN BUSINESS

[There can be no question that modern business has introduced new situations and conditions affecting the conduct and morals. Judge Gary believes, however, that modern business can be conducted with high regard for the principles of ethics. This address was delivered at Northwestern University, Evanston, Ill., June 19, 1922.]

DURING the last decade the world's structure of civilization has been threatened, assaulted and damaged, even to its foundations. At times faith in a merciful and all-wise Providence has been the only perfect assurance of safety. We are emerging from under the clouds of doubt and fear into the sunlight of hope and confidence, and with feelings of gratitude we may calmly survey our somewhat battered institutions in order to determine what, if anything, can be done to repair and restore them and make them firmer and stronger than ever before. Our country is doing and will continue to do its part, and every citizen has a personal responsibility and must share in the work of reconstruction and readjustment.

A nation depends upon its citizenship for vitality and progress in the plans for rehabilitation which are decided upon. Its endeavor must correspond to the everyday practice of individuals.

With a desire to apply the observations made there has been selected for to-day the theme "Ethics in business." Next to the establishment and observance of the laws of the land, of the highest importance are the questions pertaining to this subject. For the purposes of this occasion the word ethics is de-

defined as the science of moral duty—moral principles and quality in practice. Business is defined as any particular occupation or employment habitually engaged in for livelihood or gain. To quote Stockton: "I do not mean any Marie Antoinette businesses with milk pails decked with ribbons."

In a recent public address President Harding characterized business as being "the biggest thing in the world." By this he may have meant and probably did mean, among other things, that business is necessary to human physical sustenance, which is fundamental in the consideration of all questions.

Business is not confined to any line of enterprise. It is in some degree involved in the success of every calling in life. To the extent that it is attached to any human attempt toward livelihood or gain these remarks will apply in due proportion. Big business, so called, is more liable to be exposed to the public view, but small business is no more exempt from moral responsibility.

It has been said, and some in this distinguished audience may agree, that in practice at least, the science of ethics has no application to business. You may refer to the threadbare injunction of the father to his sons: "Get money, honestly if you can, but get it," and similar alleged utterances. The Reverend W. H. H. (Adirondack) Murray said: "Many a man in prayer-meeting is a perfect saint, but in the shop or office he is an ordinary sinner." There is a widespread belief that a very large percentage of business is carried on without any regard to ethical questions.

Talking, as a business man, to men and women connected with or interested in and, in many cases, controlling large enterprises, I assert there has been good reason for believing business is occasionally unconscionably administered; though at the same time I aver that it sometimes appears the man most vehement in adverse criticism is himself unworthy and unprincipled.

It is deemed appropriate to be somewhat specific, and as the first illustration reference is made to business corporations for they represent large accumulated capital and the strength for good or bad which proportionally goes with it. As compared with individual enterprise corporations are no better and no worse. Attitudes and results depend upon the management

by individuals. The degree of merit or moral turpitude only is involved.

Not many years ago, perhaps not much more than a score, the managers of some of the large private business corporations apparently believed that if their conduct was within the strict and technical rules of law it was immune from public or private attack; that if the provision of no public law was violated the corporation should be permitted to secure unlimited profit and might treat indifferently its customers, its employees, its competitors and even the general public; and not a few officials, in consonance with the same line of reasoning, were inclined to take advantage of inside, advance information to promote their own pecuniary interests to the prejudice of the shareholders generally. By such as these moral principles were ignored.

By this régime the rule of might over right prevailed. In business the Golden Rule was given no thought, certainly no place, in the practice of this school and period.

Competition was tyrannical and destructive. Weaker competitors were forced out of business, often by means not only unethical but severe and brutal. The graves of insolvents were strewn along the paths of industrial development and operation. The financially strong grew stronger and richer. Instead of competition being the life of trade it was the death of trade. Instead of monopoly being destroyed, it was thus encouraged. Instead of increasing combination of capital being prevented it was, in self-defense, forced into existence. The preserved letters, written during this period by owners and managers of some of the great industrial concerns, furnish indisputable evidence of their disposition to ignore the principles of ethics, all to the everlasting disgrace of industrialism. And these sentiments which have been adverted to were entertained by many men of high repute and honest instincts. They had inherited wrong ideas from the long past.

This school, following traditions, did not give to employees just consideration. The wage rates were adjusted strictly in accordance with the laws of supply and demand. The welfare of the workingmen was decided almost entirely from the standpoint of utility and profit, some thought and credit, of

course, being given to safety and physical condition as affecting ability to serve.

And what is true of these employers was also true of their employees generally, whose attitude towards their employers and fellow employees was, in a large measure, controlled by ideas that were entirely selfish and in many cases arbitrary, unreasonable and cruel.

These conditions also resulted in great hardship to the general purchasing and consuming public for, in the long run, costs of production, transportation and delivery were necessarily made larger and, as they always must be, were carried on to the ones whose necessities compelled purchase and use.

The picture presented is not intended to be exaggerated; nor is it limited in its application to industrial or other private corporations. Much of it refers, in varying degrees, to private enterprise and to individuals. It embraces and extends to all lines of commerce and finance, to the arts and sciences, to the professionals and to all educators, even to legislators, in fact to every branch of human effort with which business is associated. But it does not relate to the courts; they compose the one division of society which it must be conceded has rarely, if ever, within our time been reproached for disregard of moral principle.

In everyday life may still be seen evidences of indifference to principle, some involving great moral turpitude. The collector of taxes, of revenues, and others, could bear witness. Those who are imposed upon by profiteers in the sale of the necessities of life and comfort, by demands for extortionate wage rates or for professional or expert services, may justly complain that ethical reasons are ignored in business conduct.

And the disregard of ethics by great nations has been especially noticeable during the few years last past. The treatment of international compacts and established forms and modes of procedure as mere "scraps of paper" or as inapplicable to the exigencies, the unnecessary, brutal and inhuman destruction of life and property by military forces, temporarily victorious, the needless delay in promptly fulfilling agreements to compensate, in short, the apparent indifference to laws; all furnish the most striking evidence of a deliberate intention to violate moral principle.

It should not excite a feeling of surprise that many well intentioned, fair-minded men and women are incredulous when they read or hear of a claim that business, large or small, involves the question of ethics. Business itself and business managers generally have been blamable for the opinions which have been formed. This is said without attempting at this time to discriminate between charlatans who pose as guardians of the public welfare and others who are sincere.

Let us all freely admit we have not always been without fault in the conduct of our business affairs. However, in doing so, we are not called upon to admit the honesty or the purity of motives of some who may have unjustly criticised us. Recently misstatements of a vituperative character have been made publicly in this city concerning a prominent industrial concern and its managers which were absolutely untrue and without foundation in fact. But we must not allow ourselves to become hardened or impervious to deserved criticism by these unwarranted attacks. Every one must answer to his or her own conscience. Each one should profit by proper censure and correct any unethical practice if and when ascertained.

In this connection it is imperative to emphasize the fact that the delinquencies in business conduct which have been mentioned are not intended to refer to the great majority of business men and women. Misconduct by a few injuriously affects the reputation of large numbers of others, and for this reason professional men, lawyers, doctors and even clergymen, have been assailed as dishonest and unworthy, sometimes without discrimination, by the thoughtless or incompetent. The same is true of industrialists and all others regardless of their avocations.

And it may be asserted with absolute confidence that within the last twenty years or more there has been a decided change in the standards and conduct of business. To my personal knowledge many of the most intelligent managers of business affairs, some very large and others smaller, who have laid down the cares and difficulties of this life, before their final departure completely changed their opinions and reversed their methods concerning ethical questions. This applies also to many who are still living. Hundreds upon hundreds, yes

thousands upon thousands of business men, all over this country who twenty years ago believed that the subject of ethics had little of any rightful place in business conduct, now assert and insist that it is essential and controlling. A man of high intelligence and probity about ten years since, while testifying in court, alluding to a certain other man who occupied the highest position in a large business concern, said: "He introduced new rules into the business game." I think it properly may be claimed multitudes of leading business men during the last two decades have voluntarily devoted more and more time and energy in a conscientious desire to conduct their business in accordance with the rules of propriety and honesty.

Business throughout the United States is to-day transacted on a higher plane than ever before, though of course there is always need for further improvement. The world is surely growing better. If time permitted, many striking instances could be given.

The large majority of business men now conduct their affairs in accordance with the avowed belief that right is superior to might; that morality is on a par with legality and that the observance of both is essential to worthy achievement; that the rights of customers must always be respected; that employees are associates rather than servants and should be treated accordingly; that stockholders of corporations, as well as all partners, are entitled to any information immediately upon receipt of the same by any officer or partner, so that under no circumstances can there be preferential rights or opportunities; that destructive competition must give way to humane competition; and that full and prompt publicity of all facts involving the public weal is demanded.

A few reasons for this radical change may be mentioned for the benefit of all who are present on this occasion. It will do no harm and should be of real benefit to all of us.

And first of all, reference is made to Theodore Roosevelt, who was a true reformer and, when President, had a marked influence as such. I made the same statement in public more than once during the time he occupied that exalted position. Although at first he seemed to be somewhat extreme as to certain questions, his views were modified during his incum-

bency. I will relate to you an actual occurrence during the early part of his administration. Pursuant to a common practice by him, he called into conference a business acquaintance and submitted for perusal the draft of a proposed message to Congress. Among other things there was contained a statement, in substance, that it was well understood the majority of business was dishonestly conducted. The visitor suggested this assertion was unjust to the business men and to the President himself, for it was not true; that coming from him it might seriously injure business conditions. The President insisted he was accurate in expression and that he could not change it. Thereupon the business man, reiterating his previous opinion, bade the President a respectful and friendly good-by. The wording of the message was not then changed, but before it was transmitted the sentence objected to was eliminated. This episode illustrates the fairness and conscientious caution of Roosevelt and is one of the reasons for his great influence for lasting benefit to business management. He was a great and good man.

Not long after the event described, at a meeting of prominent industrialists, a man of ability and wealth bitterly assailed Roosevelt as inimical to industry and general prosperity. The answer was made, by the business man heretofore referred to, that the President had materially improved business methods. The one who criticised the President, with considerable show of vexation, requested the name of a single individual whose management had been bettered by Roosevelt, and the other said: "I give you my name," and then related the facts pertaining to the proposed message to Congress alluded to. The meeting was composed of about nine men of more than ordinary ability and influence, a majority of whom at least entertained a feeling of distrust and resentment toward Roosevelt. Not one present made any comment, except as already related, with reference to Roosevelt's attitude toward business. Nearly if not every one who had previously opposed, subsequently changed his opinion of the President's administration.

President Roosevelt had many disciples and with assistance from them he created a strong public opinion in favor of honest business management. This sentiment, however brought

about, has had much to do with the change, in the minds of the people generally, as to the desirability and value of closely associating ethics with business.

Public opinion has aroused and will always arouse the consciences of men and women. We cannot sleep or eat well, and we cannot for long enjoy life in the face of opposing the will of the majority, and this is true of most persons, including the vicious and depraved. We dread the condemnation of the general public, especially if there is reason for it.

We object to fulsome praise, even from our best friends, but we shrink and suffer from deserved adverse criticism. This natural instinct in the hearts of well intentioned men and women has had a decided influence in reforming business methods. But it may be added with propriety that many self-appointed and self-styled reformers, who never took any interest or action in regard to business or its reformation until long after it was voluntarily reforming itself, have been conspicuous in claiming credit. They represented hypocrisy in masquerade. They were Pharisees offering prayer on the public streets.

There is another convincing reason for the noticeable changes resulting from the adoption of ethics in business. While the motives are not equally worthy with others, they are very practical and influential with many who would not otherwise be converted. Ethical management brings additional profits to business. Sooner or later it pays in dollars and cents. Any man or concern that firmly establishes a reputation for honesty and fair dealing which is not questioned has a business asset of great pecuniary value and profit.

In the United States the door of opportunity for progress and prosperity is open to all; but to reap the full advantage one must be actuated by the principles of morality. The standards of ethics as described are not offered as a substitute for Christianity, though possibly as applied to business they are not far apart. No one can successfully claim that ethical management in business will combat religious conduct or that the latter will be obnoxious to the former. The teachings of Confucius, who advocated the Golden Rule many centuries ago, if adopted, will secure good results in business, and will be of pecuniary benefit.

Conscientious treatment of employees which secures their respect and confidence will tend to increase their loyalty and efficiency. Provision for their comfort and happiness results in steady and painstaking effort, incites them to take a personal interest in their work, and gives them assurance that their future faithfulness will be appreciated and rewarded. In every particular a contented workman is far superior to one who is dissatisfied and disgruntled.

One corporation alone during the last ten years has appropriated nearly one hundred million dollars for welfare work in behalf of its employees. This included the establishment of churches, schools, homes with gardens, recreation grounds and buildings, hospitals, medicinal and dental departments, sanitary and hygiene facilities, safety devices, accident relief, old age pensions and many other projects for the promotion of health and happiness. These expenditures have been profitable.

If by honesty and fair treatment we satisfy our patrons they will show it in all their dealings. They will be less disposed to be hypercritical. They will see and act on the basis of the rights of both. They will be reasonable in all their transactions with us and insist upon only what is practical and proper under all existing conditions and circumstances; and if the producer, or anyone who renders service, professional or otherwise, is assailed by outsiders his patrons will champion his rights. This is of much value in times of stress or of unjust criticism.

From considerable experience I assert with confidence and emphasis that, taken as a whole, year after year, the pecuniary gains of a large or small business will be greater if it is fairly, humanely and honestly conducted. If this be true it alone furnishes a logic to every one which should be conclusive.

The approval of the general public up to the limit of propriety is of especial advantage to the business man in every phase of his operations. It is an influence which is realized more clearly than words can specify.

But perhaps best of all, if the business man's conduct is sincerely believed by himself to be honest and proper, he will have the courage and strength to stand solid and immovable against any unworthy attack by the unscrupulous con-

cerning his management. In times of dissensions, coming from any source, such a man can be courageous and patient while waiting for development of all the facts and the rendition of a fair and proper conclusion by all concerned. A clear conscience is a strong weapon of defense in times of ruthless assault, which is liable to be made upon any individual or enterprise. Only those who have passed through an emergency of this kind can fully appreciate this fact. Lincoln could never have lived with serenity through the poisonous and malicious attacks upon his character and his administration except for the knowledge that he had not consciously trespassed upon the limits of moral principle. He knew that sooner or later his motives and his conduct would be fairly judged by an impartial people. Before he was cruelly and wickedly assassinated he was almost universally acclaimed as "honest old Abe" and this alone made life worth living and gave him strength to carry a burden which otherwise would have been too heavy to bear.

The late international conference in Washington was largely economical. Its primary purpose was to reduce expenditures of money for national protection and administration. The financial obligations of nations had grown by leaps and bounds until they were colossal and dangerous, and bankruptcy was imminent in many cases. Something radical and comprehensive was demanded. But this great international convention was called and conducted strictly on the basis of business ethics, and, for this reason only, it was successful. It would have proved to be a disaster if the selfish, greedy or unconscionable claims which crept into the deliberations from time to time had found lodgment. Fortunately for the whole universe there were men engaged in the work submitted who possessed the talent and the conscience to raise and to uphold a standard of morality which controlled the final action of the conference on all questions presented. Perhaps in the international convocations of all time, called to deliberate upon economic questions, this was the first one in which moral principles were gloriously triumphant. All honor to the great men who brought about and exercised a controlling influence over this tribunal. Its power for good will be permanent and far greater than we can now fully appraise.

Here was witnessed a world-renowned example of ethics in business; of its desirability and of its value. The intelligent business men of this country and others, those who will best succeed, will be inspired by the so-called Disarmament Conference to apply to business more conscience and higher morals. They will do their part and we shall see a speedy return of the world's business to its normal equilibrium. The repaired and refortified structure of civilization will stand on foundations that shall be solid and permanent against the assaults of wicked men or nations.

As a passing suggestion it may be observed that henceforth the political party which pays the most attention to ethics is likely to secure endorsement by the majority of voters, including especially the women.

In this greatest of all countries, rich in everything that is good and of real worth, we may be hopeful of the future. Beyond the horizon of our temporarily somewhat beclouded vision, the skies of temporal and moral prosperity are clear and bright. Let us be thankful that, under the power and rule and influence of competent or vicious men during the last few years, the world has not suffered more and that at present, in the United States at least, conditions and prospects are good. Let us consider distrustfully those who look darkly through glasses of their own construction, for we know they reflect simply the peculiarities of misinformed or misguided minds.

The alumni of the great universities, whatever may be the extent of their business control or connections, have great opportunity to assist in molding, by practice and precept, the new and improved structure of enlightenment which is needed throughout the world. Let us engrave our names as co-builders upon the foundation blocks of intellectual and moral granite.

SAMUEL GOMPERS

THE AMERICAN FEDERATION OF LABOR

[Samuel Gompers has been President of the American Federation of Labor since 1882 and for forty years has been constantly before the public as chief spokesman for organized labor in the United States. Born in England in 1850, a cigar maker by trade, he has been advocate of the rights of labor and active in efforts to organize the working people since his fifteenth year. Upon our participation in the Great War, Mr. Gompers played a great part in rallying the workmen of this country to a loyal support of our cause. He served as representative of the American Federation of Labor at the Peace Conference at Paris and has maintained his leadership of labor in this country during the rapidly changing conditions since the Armistice.

This address which ably presents the cause of organized labor was given before the New York Editorial Conference held at the Automobile Club of America in New York on Tuesday, April 6, 1920. The chairman introduced Mr. Gompers as follows:

The Chairman: Ladies and gentlemen and guests of our meeting to-day: I asked Mr. Gompers a few moments ago if he was going to feel at home in this audience, and he told me that he did not have to feel at home in order to tell what he thought. I told him also that most of my father's gray hair was caused by unions, and he told me that most of his troubles had been caused by bosses, so, so far I think we are perfectly even.

I suppose that before the war it would have been a very unusual thing for us, as a group of papers, representing industry in general, both the technical professions and the trade groups in industry, to ask the President of the American Federation of Labor to address us; but it does not seem to-day to be such an unusual thing to try to get the benefits of the thoughts of a man who represents a point of view which perhaps is a different point of view than most of us who are sitting around these tables. I did not come to make a speech, and you do not want to hear a speech from me. Our guest surely needs no introduction to this audience.]

I HAVE been asked to address myself to the economic program of the American Federation of Labor, and incidentally inasmuch as the political is akin to that of the economic, that I might address you also upon that topic.

The economic and the political situation and program of the whole world, and particularly of our country, is so vast and involves so much that there is not a phase of the life of our people upon which it does not border or touch. So I shall have to do the best I can in a running talk. I hope I shall not assume the position of a lecturer or of a school-master. I am going to tell you something of the American labor movement, what it is trying to do, and some things with which it has to contend.

The American labor movement is represented by the trade union and by the American Federation of Labor. The Federation is an attempt to crystallize the sentiments and views of the workers of our country so that they might find orderly expression and rational consideration.

Discontent exists throughout the whole length and breadth of the universe. It would be a lamentable thing if the people of our country were contented, as that term is generally understood. So long as man is man there never can be any such thing as "contentment." A healthy, normal, rational and intelligent discontent is the mainspring of progress. When that discontent finds itself manifested in no fashion calculated to be of general good, if the whole thought is "every man for himself" his satanic majesty taking the hindmost, if there is to be no understanding, no correlation, no coördination, then the discontent finds its expressions in ways that bode no good, either to progress or to civilization.

America's workers are not all organized. It is charged or alleged that we represent but a small fraction of the working people of our country. In anticipation of what might be in your minds, as an answer to that which is charged, let me say that with nearly 5,000,000 workmen of our country organized in unions and in our Federation, it is not true to say that we represent but five per cent of the working people of the United States. The fact is that, based upon the general calculation of American homes and American people, counting five to a family, and if there be a hundred million people in the United States, as is generally stated, we represent at least twenty-five per cent of that one hundred million.

But quite apart from that, there is a large number of people who are wage-earners or who receive a salary who are

either not only unorganized but who are practically unorganizable by reason of their various occupations and service. But in many industries, in the trades and in the occupations where the workers are organizable, there is as high a percentage as 95 to 98 per cent of the machinists, the carpenters, the bricklayers, the printers and many other trades organized. The question for them has been practically solved in regard to the matter of their industrial coördination and association, for their own and their mutual protection.

We, as wage-earners, like all normal people, have aspirations. We hope for a better life; we have an aspiration for a better time. Sometimes it may be based upon an ideal, sometimes it may be theoretical, but it is, in the last analysis, an aspiration for better things, a better life in the work, in the home, in the standards of the American people. We have the hope that not only shall we have this better life ourselves, but that those who are dependent upon us, our children, shall not be required or compelled to meet the conditions of life and of work with which we were confronted when we entered upon the industrial field.

We have caused the children to be taken out of the factories and the work shops and the mills and the mines and have placed them in the homes, in the schools, on the play grounds, that they might grow and fully develop into the manhood and the womanhood of the future upon which the perpetuity of the Republic and our ideals depend. Who are those who can genuinely lay claim to having brought about, even so far as present standards are concerned, the conditions, the laws and the general understanding that the children must not be exploited and their life-blood ground out of them for profit? There are some here and there who now very glibly claim credit for all they are doing, but it is the much misunderstood and reviled labor movement of America that has taken the children out of industry and placed them in the school room and on the play ground.

There was a time when women worked in the mines, half nude. It is the labor movement of America that brought about such changes that women are no longer employed in the mines. We aim for still better conditions not only for men but for the woman and the child; to make the man more independent

and intelligent and energetic and respectful; to make women more beautiful and more intelligent and bright, and to make the children happier and more expectant of the time when they shall arrive at an age where they too shall enter the industrial and commercial field.

There has been altogether too much of an effort among some of our people to take the children out of industry—not to give them the education that shall be of service to them in their lives as producers and that shall fit them to perform a great service for society, but to put them into the professions because the professions are regarded as offering a higher standard than is offered those who do the world's manual work. I have no antagonism to the professions, but there are some of them that are parasitical upon the productive forces of our country. The dignity of labor, not in the form of patronage, of patting upon the back, but the real dignity and service of labor, is wholly misunderstood and misinterpreted by many of our people. My plea is that it is the duty of the men of our time to see to it that our boys and our girls are taught not so much the professions but real industrial and commercial service to our country. The workers perform service to society without which civilization would prove a failure, and progress would be made impossible. As a reward for that service we want a minimum standard, an American standard, a minimum wage, not the highest wage, not a uniform wage, but a minimum wage, a wage below which no American should be asked or required to work and give service. Some have said: "Do you mean then, that all workers should receive the same pay?" The answer is: "No"; pay the standard minimum and all that to which you think the worker is entitled for his superior productivity or the quality of his production; but no industry, or rather, no employer, should be expected to continue his operation unless he can afford to pay the minimum standard.

The American labor movement holds that any employer who cannot afford to pay a minimum standard of wage, a wage that will conform to the standards of life of American manhood and womanhood and childhood, ought to get out of business and make way for some one who can.

We hold that the American people are willing to pay for a

finished article a sum sufficient to insure the payment of a fair minimum wage to the workers. The difficulty lies in this: There are a number of employers who, competing with their fellows in the same trade or industry, seek orders or contracts. The first thing that comes to them in offering a low bid, or in entering into a low price contract, is the attack upon wages, the imposition of conditions less fair than those paid by the average or largest number of employers in that industry.

As a consequence there is as a rule a resistance upon the part of the workers. Or, if there be none, it is the initial test for the employers in other establishments to cheat, in order to meet the conditions of this employer, and then there is a general cutting down, a lowering of standards. It is against the cut-throat competitor, the unfair employer, who looks upon his workers as a commodity, seeking to obtain them at the lowest possible rate, that the resentment of the workers finds its most emphatic expression.

I do not pretend that our movement and our men are perfect, that no mistakes are made. There is only one man in the world who is infallible, and neither one of us is he. But I venture to make the statement that, taken as a group, taken as a mass, there have been fewer mistakes made by the labor movement of our country than in any other group measuring up to its numbers.

Let me quote a statement made by a friend of mine many years ago. He said: "If any group of people is entitled to make mistakes, it is the working people. They have been deprived in their time of the means of education and opportunity and experience, and if mistakes have been made, they ought to be laid upon the shoulders of society rather than upon the workers themselves." And yet I doubt if there has been any one group or any group of our people which has made so few mistakes as have the organized workers of America.

Nor do I wish you to infer from what I have said that the standard or the minimum wage is to be so fixed that it is unalterable, that it is a fixed thing, that it is static. No. We hold that no part of the people of our country is entitled to all the benefit of the genius of the past ages, or the genius of all the geniuses of to-day.

Our movement is for a better to-day than yesterday, and a

better day to-morrow than to-day, and a better day to-morrow and to-morrow and to-morrow—each of them a better day than the one which has gone before. I think that it is an economic fact, scientifically and historically demonstrated, that the constantly increasing demand of the masses of the people for the use and consumption of more and better things is to industry an impetus that it can receive in no other way.

It has been said that if the people of India or the people of China could add one inch of a textile fabric to their already scanty garments, it would give a wonderful impetus to the textile industries of the world. Where and to what more can be attributed a greater incentive and impetus to industry and commerce than to the new demand which the masses of the people make for a better time and a better life?

The old-time idea of skimping the workers, of reducing wages as a means of overcoming a particular industrial crisis or reaction was found to be an absolute fallacy; for, as the masses of the people decrease their use and decrease their consuming powers, industry is contracted and commercial life throttled. It is only when the great mass of the people use and consume constantly more and better things that the great progress of industry and commerce results. There is a notion that the movement of the workers of America for a shorter work-day is inimical to the interests of industry and of commerce and the progress of our country. No greater fallacy was ever uttered than that.

I do not want any one to infer or to say: "Reduce that to the minimum"; or "reduce it to the ridiculous, illogical result, and then don't work at all." No; we want a normal workday. The history of industry has shown that the long workday is not an industrial advantage; that, on the contrary, an eight hour day has thus far been demonstrated as the correct productivity of the workers, not only as individuals but collectively in the aggregate.

It has been said that the workers of the United States are not producing to the extent that they should. My own observation and advice from the great industrial engineers with whom I have come in contact is that the fault lies more in management than with the workers themselves, and in the efforts of some of the acts of some employers who have themselves slowed

down for what may be termed better markets or better opportunities.

If you want to get the best results out of the workman in the shortest possible time, well, then, work him forty-eight hours continuously, and he is done for. If you want to get better results you will find a shorter workday, and if you want to get the best results out of all the workers, have a maximum of eight hours a day, and you get the best productive ability and production.

A shorter workday brings in new thought and new machinery and new tools and new methods by which the productivity of an industry or of an establishment, or of a workman himself, individually or collectively, is increased.

We are organizing constantly. We have had our setbacks, but we have never gone back to the original starting point. With each reaction though there may be a decrease in the membership, the decrease never goes back to the time when the reaction set in. Within a period of thirty-nine years the American Federation of Labor, starting out with fifty thousand organized toilers, in spite of bitter and relentless antagonism has grown until now there are four and a half million of members in round numbers. We are going to the five million mark, and we are going further and further and further—not to take over industry, but to have a voice in determining the conditions under which labor shall be performed and services given.

Go into another field of human activity; it is the seller who sets the price which the purchaser must pay, except labor—the toiler. There it is expected that an autocratic position shall be maintained, that the buyer of labor shall set the price under which labor shall give its services. We do not ask and do not aspire to have absolutism in industry for ourselves, but I repeat that we do insist upon having a voice in determining the conditions under which our labor power shall be sold.

Too often I see and hear the declaration made that the labor movement, the American Federation of Labor, is just as inimical to the interests and the welfare and the progress of our country as is any revolutionary group. And some, very ignorantly or facetiously, claim that the American Federation of Labor and the I. W. W. are identical and attribute to the Federation any particular feature or practice of the I. W. W. which

may at any particular time be impressed upon the public attention. It is not fair, gentlemen; it is not right. The object of this labor movement of ours, for which we have given the best that is in us, is to see to it that everything wrongful may be avoided and everything rightful may be done with the determination that there shall come more light into the lives of the workers and that there shall be a better day for all.

In the hours in which our country found its crisis, in any period in the history of our Republic, did the men in the American labor movement fail our Republic? In the Civil War for the abolition of human slavery and the maintenance of the Union, none gave greater service than the great mass of the workers. During the Spanish-American War, were there any who gave greater and better service to our country and our country's cause, and for the freedom of Cuba, than did the workers of our country, when the unions of workmen by the hundreds resolved at their meetings to send in their charters as unions to their general headquarters and organize as companies or as regiments in defense of the Union and for the cause of Cuba's freedom?

In the war just closed, nearly a month before the President of the United States appeared before Congress and laid before that body the indictment for murder and rapine of the German Imperial Government, the American Federation of Labor called a conference of the representatives of labor of the United States for the purpose of considering what attitude would be proper and appropriate and patriotic for us to take and to serve our country.

On March 12, 1917, nearly a month before the President appeared before Congress with that indictment, the Conference of Labor unanimously adopted a resolution declaring that, come what may, whether we would be permitted to enjoy the privileges and the happiness of peace, or were drawn into the maelstrom of the European war, we offered our services upon the field of battle or in industry and commerce, and we called upon our fellow citizens and fellow workers to give such loyal service. That declaration was a great encouragement to our people and to the government of the United States. It showed them that, come what may, Labor in America would stand true and give every service, and if necessary, make the

supreme sacrifice. And, better than all such declarations, my friends, is the fact that the working people of America kept faith and made good.

We have gone through the war. I do not claim credit alone for the organized workers of the United States but for the workers generally—for we represent even all the workers organized and unorganized and we further their interests when they are not capable of protecting their own interests. I know that as a rule the people of the United States, employers, business men and professional men, as well as workingmen, have given whole-hearted service to the cause of our Republic. But there have been all too many lip service patriots, whose only service,—or *disservice*—was profiteering upon the people of our country. I refer to the part which labor made in this great tragedy, and I call attention to the fact that we joined, in heart, in soul and in purpose with our country and our country's cause, to make it possible that the people of the democratic countries, and particularly the people of the United States might have the opportunity of living their own lives and working out their own destinies, unafraid of an autocracy which threatened the world.

During the war everything, practically, was surrendered to that one common purpose—win the war, win the war! And the war has been won. And after the war is over, actually over, there seems to have arisen a hysteria, a spirit of reaction. The condition of freedom which prevailed in the United States before we entered the war is now threatened to be taken from us. We fought to crush militarism. We fought to crush autocracy, political autocracy, in Germany and Austria. We resent the thought that industrial and political autocracy shall be proclaimed and be the practice in the United States now.

You are editors of the professional, the trade publications, in and around New York, and, I think, for the entire specific trades and industries and professions. You know that only a few months ago, laboring under this hysteria to which I have referred, an effort was made to enact a law that would curb every newspaper man in the United States—the alleged “Anti-Sedition” proposition. I had rather assumed that the credit for the charge made against me should not be considered, but it is quite evident, and those in and around Congress so say,

that if it had not been for the timely objection which I interposed against that sedition bill, it would have been enacted long before the newspaper men of the country would have known of it. At least it was the objection and protest which were entered which caused a halt, and with that halt generally known and published, was given the opportunity for the journalists of the country to help in protesting against the enactment of that bill. There may be some of you, ladies and gentlemen, who may say: "Well, it is not going to affect me or my publication. I am a newspaper man. I am not at variance with the government, or I have no axe to grind," and so forth, and so forth. But you must know that if there be any man or woman coming under, not only the surveillance, but the personal antagonisms of some officer or individual, then you are cramped and cramped and cramped further.

You men feel that it is your duty, as men of letters and men who express the views of yourselves and those associated with you, to look after the interests of the trade with which you are connected, and when you have some criticism to make—there is nothing that hurts a thick-headed official so much as criticism, I want you to look at me for a moment, and then size me up as to my age, and all that sort of thing, because I am 70 years young; but I remember an occasion while the late Charles A. Dana was the editor and proprietor of the "New York Sun" which was then a real newspaper with character and intelligence. There was a gang of political freebooters in Pennsylvania who obtained a court order in Pennsylvania for the production of the body of Charles A. Dana in Philadelphia. He had at that time disclosed and exposed a scheme of corruption existing in that State that has not been excelled anywhere, so far as I know. He also published correspondence between some of the members of that corrupt gang in which—speaking of the sons of the State of Pennsylvania—they used the terms of addition, division, and silence, and, in the language of the street to-day, Charles A. Dana didn't do a thing with those fellows. But they wanted to get him within the precincts and jurisdiction of Pennsylvania—a corrupt gang, corrupt judges and legislators and politicians and business men. He had as his counsel, I think, Willard O. Bartlett, of that famous family of great attorneys, who sued out a writ of habeas

corpus and argued the case, I think, before Judge Blanchard. Judge Blanchard dismissed the case and sustained the right of Dana to his position of defense in New York. If they desired to bring a case against him, the court decided that they could try it here. I merely mention that as one of the great characters in American history in the past three-quarters of a century. I could point out to you many, many cases of the visitation of tyranny and injustice, the attempt to put the brake upon expression.

I think you and I hold at least this in common. For, I, too, am the editor of a magazine, the "American Federationist." I hold this in common with you that the freedom of expression and the freedom of the press must remain unimpaired. If you or I should publish anything which is treasonable or libelous we may be haled to the court and made to answer for our offense, but there is not in all our land a man good enough or a government agency autocratic enough and just enough, to deny to you and to me the right of free expression or to place a curb on it in advance. It is free expression which makes for a better intelligence and understanding.

The constitutional amendment, the first one offered after the constitution was ratified, was the declaration that the right of free speech, press and assemblage, and so forth, shall never be abridged. That amendment was the result of a cause, and it was put there for a purpose. People who sing the praises of those in authority do not require a guarantee for the freedom of speech and press. The people of Russia under the Czar never required any constitutional guarantee for freedom of expression, either through speech or the press to sing the praises and laud the administration of the affairs of the country. The purpose for which the constitutional amendment was adopted and added as a part of that great instrument was the right of the people to say ugly things, the things which displeased, the things which are criticism of those in authority. We do not need a guarantee to sing, "My Country 'Tis of Thee," or a constitutional guarantee to recite the wonderful and inspiring words of "The Star-Spangled Banner." We sing the words, with that music, with heart-felt voluntary enthusiasm and sublime devotion. If the people in charge of our government, national, state, municipal, deserve our praise and our service

and our devotion, we give it freely; but the right to criticize them is ours. It is the privilege, the right, the guaranteed right of American citizenship.

We ask for our movement the right to organize, to organize into trade unions, into labor unions. Modern industry has taken from us the opportunity of individuality in industry. The division, the sub-division and specialization in industry have gone on to such an extent that workers perform one infinitesimal part in making a great whole product. The workers as individuals lose that individuality the moment they enter the modern industrial plant. They can only have influence in correcting wrongs, removing grievances or obtaining rights, by their associated efforts, and not by having their individualities taken from them.

The constitution of the United States and of our several states provides that any person having an interest in the courts, either in a civil suit or a criminal procedure against him, has the guaranteed right to be heard by counsel. The working people of the United States insist upon the application of that principle to the worker in industry, that is the right to be heard by counsel, not necessarily a lawyer (for it is our experience that lawyers, as a rule, always injure any effort for reconciliation or adjustment of disputes between employers and employees), but the right to be heard by some one whom the workers believe has a bit more policy and a bit more persuasiveness, a bit more independence than the workers themselves.

We ask for collective bargaining as a better means for the peaceful conduct of our industries than the individual bargain made with Tom, Dick and Harry at the place where they report for employment. Where the workers apply for employment at the particular place where they are engaged, the positions are generally based upon the most immediate needs of the applicant for work, and others must abide by the standard of the most immediate. We ask that the agreement as to wages, hours, conditions of employment and relations between employers and workers shall be conducted in the employer's office, if you please, or through his representative, there undertaking to agree upon the terms of such employment and the conditions of such employment. The employer may then go forth with the full knowledge that he is safe in his peaceful industrial

activity and give his brain the opportunity to work out greater problems of industry and commerce. It is the picayunish employer who does not understand that it is better to devote his brain power to the question of the industry and its success than to be carping and haggling for the purpose of securing workers at the lowest possible standards, and particularly in their individual capacity.

A few months ago the governor of Kansas called a special session of the state legislature, and finally succeeded in having that body pass a law making strikes unlawful and providing penalties for those who did strike, penalties of a fine of a thousand dollars or a year's imprisonment, or both such fine and imprisonment. Since then, the governor of Kansas having found this new way to industrial peace, has gone around the country, following the bee that has been buzzing in his bonnet for the Presidency of the United States. He addressed the legislature of the State of New Jersey on March 8, last, urging the legislature to pass such a law and calling attention to the wonderful benefit that would come. He appeared before the legislature of the State of New York two weeks ago, and urged upon our legislature the enactment of such a law. He is going around the country, to state legislatures, one to the other, in an endeavor to have them enact such a law, or at least that he might ride into the presidential chair upon the question of industrial peace—the industrial peace of making strikes unlawful and sending men to jail.

I wonder whether you folks have read this morning's paper—2,000 miners in Kansas went out on strike yesterday. That law has not stopped strikes. It cannot and will not. But it made 2,000 men lawbreakers. No one is an advocate of strikes. I think that there is no movement or any group of people which has done more or done so much to avert and avoid strikes as the American Federation of Labor, the American trade union movement. We have not stopped them, because we cannot stop them. So long as man is man; so long as people feel resentful at a wrong committed, or have a desire to attain a right not yet achieved, so long will people manifest that feeling, that desire and that hope in one form or another. You can not prevent strikes in that way. You may reduce them in

number, and they have been reduced. You may reduce them in extent, and the bitterness with which they are fought, but there is not anything so potent to prevent strikes as a well organized labor movement.

My friends when we are discussing these matters we cannot leave out of our minds the ferment that is going on all over the world in which unwarranted, yes, revolutionary, propaganda is at work. If the employers of labor, the corporations, make the work of our movement more difficult; if they, by their great power of wealth, make our men and women impotent to be of certain service to our fellows, rest assured that our tenure of influence will soon go adrift. It is not that the employers and the business world in our country would be free from agitation and organization, but they would have to confront a new movement in which Americanism and patriotism and idealism would have no part. Our movement would then be impotent. It is a choice.

Though employers are sometimes inconvenienced, though they may feel a resentment at the hasty action of this one or that one, or a small group or another group, the great comprehensive work of this labor movement in America stands as the bulwark of Americanism, and it is a question of just whether our movement shall go upward and forward in natural development and progress day by day, or whether it shall be taken over by those who have neither respect for labor, for employers, for the public, nor even for the Republic of the United States of America. That is the question, after all.

The American labor movement stands strong, conscious of its power and more conscious, if that be possible, of its responsibility. For us America is the apotheosis of all that is good and true and worth while. To give service to our country is the hope of America's workers as expressed and practiced by the American Federation of Labor.

LEO GREENDLINGER

BUSINESS BUDGETS

[Leo Greendlinger is Secretary and Treasurer of the Alexander Hamilton Institute, and well known as a public speaker on business subjects. He was born in Austria in 1879 and is a graduate of the School of Commerce at the New York University. He was Assistant Professor of Accounting in that school for a number of years and has lectured on that subject in the Case School of Applied Science of Cleveland and the University of Wisconsin. He is the author of a number of books on accounting and a frequent contributor on business topics to magazines. The following address has been delivered before various business organizations throughout the country.]

BUSINESS statesmanship consists of knowing, controlling and directing the forces which react favorably or unfavorably upon the progress of business. It overcomes or minimizes the forces that tend to paralyze industry, as it also takes advantage of every factor which contributes even in the slightest degree to business success. Business statesmanship manifests itself in many ways. Through the principle of divided insurance risk no individual industry is wiped out of existence by fire, theft, accident or the like. Engineering or chemical research tends to improve the processes of production and thereby reduce costs and create a wider demand for goods produced. Surveys and analyses of markets have helped to close the gap of seasonal activity. A statistical study of production and consumption results in a knowledge based upon facts instead of guess work upon so-called intuition. I might go on outlining the various ways in which business men are removing uncertainty, guess work and haphazard fluctuation from their business. It is in this gradual conquest of uncertainty and in its contribution to the regulating of business fluctuations that budgets and budgetary control are beginning to play an important part.

That budgets are not in more general use is due entirely

to a lack of understanding of their value and sometimes to an inadequate appreciation of the very problems which they help to meet. Some business, men, for instance, feel that there is no need for them to establish financial programs. They see no reason for carefully estimating expected cash receipts and expenditures, thus forecasting future deficiencies and how to meet them. They think that if they can only maintain or increase the volume of their sales financing will in some "mysterious" manner take care of itself. They fail to balance those two important north and south poles of business—Income and Expense—and often do not realize that the power to balance makes the balance of power in business statesmanship as well as in political statesmanship. Do executive heads of those organizations operating without budgets know that they are getting the most out of their business? Are they able to supply a carefully thought out solution to financial emergencies that may arise?

There are limits of safety and strain in every business, as well as upper and lower margins for sales and expenditures. These limits can be foretold almost as closely as the capacity of machines or the tensile strength of steel. In fact, one main purpose of a budget is to tell what can and ought to be accomplished with a given amount of capital. And that important basis every business man should be thoroughly familiar with. Really, the difference between the man who makes a budget and carefully lives up to it and the man who has no budget is the difference between the man who concerns himself with p-r-o-p-h-e-t-s as compared with the man who reaps the p-r-o-f-i-t-s. Moreover, budgets have now been expanded far beyond the original conception of mere financial forecasting and control. In them have been incorporated estimates of profits, factory production, plant capacity and the like. In fact a fully developed factory budget not only provides a financial program for the guidance of the treasurer, but deals also with anticipated sales as well as expenses which may be fairly incurred to obtain these sales; it also deals with the efficiency with which equipment is used, with the skill with which purchases are made; with the promptness of collections and the like. Properly prepared budgets prohibit unwise expansion, they picture clearly the toll taken by fixed charges for carrying

idle equipment. They point out unused capital, unbalanced production, heavy financial charges and, in brief, act as a very watch dog on cash expenditures and expense charges.

Budgetary control, however, may be effective or ineffective. It may simply mean the preparation of many useless forms which would impede and hamper production and sales. On the other hand, it may mean the conduct and development of business along sound lines and the curtailment of expensive dreams to the limits of actual possibilities. If budgetary control takes the latter form, its range of application is broad. It may be an embrasive budget, which will cover every phase of business operations, or it may be only a summarized budget, which will deal with the main activities and will guide the business in its more general aspects only. In any event, it is not the form and detail of the budget which give it its real value; it is the spirit behind the budget which counts, for a budget to be successful should be predicated upon a knowledge of what an organization can do, of what may be reasonably expected in sales and what financial resources are required and are available.

Of course the budget can never take the place of capable and skillful executives. Its purposes are to coördinate the activities of these executives and to provide for them a carefully, logically thought out plan on which to base their work. It secures for them definite plans and affords a ready means of checking their actual performances against these preconceived assumptions.

A well conceived budget should very clearly forecast actual conditions and in every instance, as experience in budget making grows, actual results and estimates will more closely correspond. Sometimes executives, who are not able to bring their actual performances into close relation with their budget, become discouraged and often abandon the budget plan entirely. If so, they overlook the immeasurable value which attaches itself to the budget by reason of the curb which it puts on unwise expansion and the aid which it renders by providing a comprehensive and coördinated plan for business operation. The main object of a budget is to increase and extend internal control, and it is safe to say that any executive has materially progressed when, instead of entering a new year with vague, indefinite or poorly formulated plans which are

subject to constant change, he plans out his entire program, coördinates every department and every activity with one another and with the needs of the business as a whole and then commits it all to paper for his future guidance.

Budget preparation and use is a phase of the development of modern accountancy. I sometimes question whether business men are really conscious of the important part that accountancy plays in the exercise of executive control.

But even considering the aid which accountancy renders in bringing knowledge to the executive, he still finds something lacking. The accounts point out mistakes at the end of an accounting period—after all the mistakes have been committed—and sometimes after serious damages have resulted. What the executive often needs badly is accurate, up-to-date knowledge of what is about to happen and what is happening. He wants standardized records against which he can measure results from day to day and month to month; he wants danger signals which will point out to him possible troubles before they are upon him; he wants guidance for his policies and plans and he wants all these policies and plans coördinated so that each is a part of a comprehensive workable program. To a great extent he can achieve these aims through his budget, the extent being dependent upon the accuracy of the budget and the care with which it is prepared.

The budget idea is not a new one. Municipalities have long followed a more or less general plan of scheduling their necessary expenses and then levying a tax which would bring in funds sufficient to meet these expenditures. Business budgets, however, are not so simple; both income and outgo are variable and yet within certain limits are also controllable. It was Benjamin Franklin, that foremost business man of his age, who said "Gain may be temporary and uncertain, but while you live, expense is constant and certain." The skillfully prepared budget gives separate consideration to both income and outgo and through this consideration and planning in advance arrives at the best combination of the many items which cause expense or create income.

Lately budgets have been further developed and made to cover income, expense and profits. In this connection, it may be well to point out that cash receipts and cash expenditures

are not synonymous with income and expense, and the predetermination of profits is of almost equal importance to the predetermination of cash receipts and cash outlay.

With a budget of income, expense and profits, it is an easy matter to establish separate budgets for departmental operations covering all income expected to be derived from each department and the costs of obtaining this income. Standardized production and standardized costs follow closely, since in order to establish departmental standards, the cost of production in these departments must be carefully estimated. Finally the budget offers a means of checking up actual performances against these estimates down to the minutest detail of departments, machines or individuals. The use of the budget in this checking up is the measure of its value. To set up a budget and then to do nothing with it is about as useless as having no budget at all. An old Chinese proverb says, "From small profits and many expenses, comes a whole life of sad consequences." And how can any business man guard against such a condition unless he carefully checks his budget items one by one.

A budget coordinates sales and production with financial needs to the end that inventories are not piled up beyond the needs of the business. It tends not to sell more goods than the factory can produce. It also helps the production department not to manufacture products in excess of sales demands. As a result, factories are operated more continuously and with greater regularity. Cost records do not become mere history, but are tied up with the production and used as controlling factors by the management.

The preparation of a satisfactory budget is founded upon accurate accountancy records of what has transpired in the past. From these records it is possible reasonably to forecast the results which are to be expected in the future under the same conditions. This statement leads to what is probably the most important element in budget preparation, namely, the necessity of analyzing expected future conditions and measuring the variations which they will produce upon what might be called the "normal expectancy." To plan increased sales and expansion of a plant in a period when sound business

judgment predicts a depression is, of course, foolish and yet that is what sometimes happens. Consequently, the remarks on budget making assume that in every instance the effect of prevailing general business conditions, as well as special circumstances that are peculiar to a given industry, will have been duly considered.

The first step, then, is a careful estimate of sales together with definite plans for obtaining these sales. If it is desirable to increase sales, then plans for increased advertising, a larger sales force and the like must be a part of the program. Next, production will be scheduled to meet sales demand; purchase estimates and time schedules will be required. To carry through the production program of output and cost estimates will be essential. Necessary new financing or expansion of plant must be given due consideration. After a careful estimate of all other expenses has been formulated, all these data are centered in the hands of one official, usually the financial man, and the complete budget is then compiled.

In the compilation of these data it is customary to break up the records into monthly intervals. In respect to finances, this is particularly important, for although the total cash resources may be entirely adequate to finance the total expenditures, there are very likely to be times when the demands for payment exceed the funds immediately available and monthly records point out these stress periods. Bank loans or other temporary financing expedients become the balancing media of these interim budgets. All such stress periods should be known in advance in order that plans can be made for them without resort to uncertain and costly emergency measures.

The assembling of data, the balancing of estimates, and so forth by the officer in charge, the predetermination of costs, all constitute the scientific part of budget preparation. The dovetailing of the schedule of each department with those of other departments and the welding of all into a comprehensive whole, call for the exercise of prudence and a nicety of judgment.

Where budgets set maximum and minimum records, as in particular, manufacturing budgets should do, the maximum is the expectation and the minimum is the essential margin

which must be attained if the business is to continue without loss. Fluctuations within these limits mark the upward or downward progress of the business itself.

In the foregoing I have not touched upon personal budgets because personal budgets are entirely a personal matter. Yet, if it is true, as Chauncey Depew remarked when asked how much in his opinion it cost for a young married business man to live, "Just a little more than he makes," it behooves all of us to consider the advisability of personal budgets. No general form and few fundamental principles can be laid down for personal budgets and yet I want to add that the business man should conduct his personal affairs in a business-like manner, in order that he may acquire sound business habits as well as assure a surplus of income above expense. He should predetermine his income and his expenses, check himself up regularly to see that income equals his estimate and that expenses do not exceed the amount scheduled. Some men will keep detailed records of where every cent goes, others will content themselves with dealing in totals. It is not for me to criticise the method used by others, as long as the proper results are obtained.

To me the subject of budgets is intensely interesting. They constitute the frontier of constructive accountancy work. They permit the more profitable use of accountancy records, they are incapable of indefinite expansion and what is done with them depends upon the man in whose hands they are entrusted. It is said that the late E. H. Harriman owed a great part of his success as a railroad organizer to his ability to interpret the statements of the organizations in which he was interested. In order to check up his companies from time to time he set up predetermined standards of income and expense. Each month a set of statements was presented to him in which was set forth in black or red ink, as the case might be, the excesses or shortages in actual results as compared with these estimated results. In this way he constantly had before him a record of the progressive efficiency which he could not get as quickly in any other way.

The old truth that foresight is better than hindsight is nowhere more forcibly exemplified than in a business enterprise. Budgetary control simply means the systematizing of fore-

sight. The business man who neglects to investigate every phase of budgetary control and fails to use those aspects of it which are particularly adapted to his business gropes in the dark and is likely to stumble. Those who turn upon this business path the light of all possible knowledge which the budget embodies will walk with surer step. The road to business success is so tortuous and uncertain, so full of impediments and obstacles, that no one can afford to neglect any of the aids which progressive business methods have developed.

JOHN HAYS HAMMOND

ENLIGHTENED SELF-INTEREST IN INTERNATIONAL RELATIONS

[John Hays Hammond was born in San Francisco in 1855. Of all careers connected with modern business that of the mining engineer affords the greatest likelihood of adventure, travel and excitement—the thrills of romance. But few either among ancient crusaders or modern engineers have had experiences comparable with those which make up the life-work of Mr. Hammond. Educated as a mining engineer at Yale and Freiburg, his profession led him into every corner of the world. Consulting engineer for the great mining companies of South Africa, he was the friend and warm supporter of Cecil Rhodes. He was one of the four leaders in the reform movement in the Transvaal, and after the Jameson raid (with which he was not in sympathy) he was arrested by the Boers and sentenced to death. This sentence was afterwards commuted to fifteen years imprisonment, and finally to a fine of \$125,000.

After his release through the payment of this princely ransom he went to London where he was actively interested in many mining companies, and in 1900 returned to the United States. Here he has been engaged with many important financial groups in great mining properties in this country and in Mexico. In 1911 he was appointed by President Taft as special Ambassador and Representative of the President to the Coronation of George V. He is a member of many political, civic, and professional organizations, and is welcomed as a speaker before them and before our universities. Certainly Mr. Hammond's experiences eminently qualify him to be heard on the subject of this address which was given before the Los Angeles Merchants and Manufacturers Association in 1922.]

THE world just now seems to be deep in the slough of despond, and nations seem to be endeavoring to pull themselves out of the mire by their boot straps. If they would adopt a system of mutual helpfulness and reciprocity, and exert their efforts to extricate their neighbors by means of their boot straps, the nations could soon again reach terra firma, and thenceforth the road to that seemingly illusive normalcy, to which we aspire, would be safe to travel with but the ordinary obstacles that be-

set the onward march of civilization. This would be the spirit of enlightened self-interest which, pending the millenium, is the only dependable motive for the coöperation of individuals, and for an enduring basis of the amity of nations.

Not a few of our present difficulties arise out of the notion that the war wiped the slate clean, that upon it might be freshly written the constitution of a new world. In some localities the war was regarded piously, as a cleansing by fire. It was the dream of some of us that there would be such psychical changes in mankind that it would be possible to establish a kind of universal brotherhood, which would insure peace and prosperity to all the world; whence would emerge the millenium, clean, pure, and probably intolerably smug. But unfortunately the war did nothing so useful. It only revised our old troubles and made some of them so lusty that we scarcely recognize them as old companions, as they stalk around often in a truculent attitude, in place of a former appealing humility. After every great crisis in the world's history a class of calamity howlers is evolved. Through the homilies of the moralists of those epochs, we hear the familiar complaint of high prices, profiteering, of moral depravity, lack of production, industrial indolence, frenetic gaiety, wild expenditure, luxury, debauchery, social and religious hysteria, greed, avarice and mal-administration, referred to by Professor Thompson in his description of the conditions characterizing the aftermath of the Great Plague, which devastated Europe in the middle of the 14th century. Despite the predictions that civilization is going to the demnition bowwows, this old world of ours continues to wag and its inhabitants to survive and there's no danger of the collapse of civilization.

To-day we find these dire prophecies chiefly emanating from those whose vision is circumscribed by the narrow economic vistas of the Wall Streets and the limited political horizon of Washington. To get a proper outlook, one must seek the Pike's Peaks of the nations, where he can obtain a wider and consequently a more reliable survey of conditions. To those temperamentally incapacitated I would recommend a trip to California, where optimism is inherent and irradiates, renewing one's faith in the future, engendering a resolute spirit which alone can lead the way to the restoration of national pros-

perity and well-being. We must neither magnify the obstacles to be overcome, nor minimize the difficulties, for the task is indeed a Herculean one, and requires cool, dispassionate judgment, unswerving determination, indefatigable energy, and above all, unity of purpose. The spirit of enlightened self-interest presupposes the recognition of the principle of interdependence. There could be no more useful propaganda than that to impress upon every class of the community its dependence for its well-being upon the general welfare. Such a campaign of education would do much to eradicate the spirit of envy, of self-satisfaction and selfishness that permeates, unfortunately, not only all classes of the community, but all the nations of the earth. This is not a preachment of an ideal, nor merely the enunciation of a great ethical principle, but the desire to develop the conception of a great underlying truth that must be inevitably the guide in human relationship.

Our view from this metaphorical Pike's Peak is more reassuring, and prophecies as to the future more hopeful. To reach these conclusions one does not have to be temperamentally an irrepressible optimist. We have traveled over a rough and treacherous road the past year, and while to-day the going is not especially good, the road ahead seems far better than it looked to us a year ago. At that time Bolshevism was a menace to orderly government throughout Europe. Many were apprehensive that Bolshevism would not only take deep root in the political, economic and social institutions of Europe, but that its pervasive and blighting influence would reach this country as well. Personally I had no such gloomy forebodings as to what would happen in Europe, nor did I for a moment believe that the integrity of our own institutions was imperiled, although of course everyone realized the serious harm that would result from the discontent and unrest created by Bolshevistic activities in this country. To-day Bolshevism has virtually spent its force, not only outside of its own boundaries, but within the confines of Russia. Bolshevism has been a costly and tragic experiment in the economics of Socialism, but its failure is a complete refutation of those doctrines of Karl Marx which have agitated the proletariat of the world since their earliest propagation. The experience of Russia has taught us a valuable lesson in that it has completely established

the fact that State Socialism is a delusion and a snare. But we did not need to go so far afield to see the fallacy of the doctrine of nationalization of industry, for we have our own costly experience in Governmental control of railways, and of hamstringing interference by Government in other national enterprises. We are all now agreed that what Government could do and should do, apart from its action in regard to national defense and kindred matters, may be expressed in a single phrase; it can see that the gates of opportunity are kept open for its citizens along the whole length of every road that crosses our political and industrial life. In other words, it can assure to all men and women a chance to work and win according to their talent and diligence and their moral fiber, and can guard the path to success from obstruction of trickery, fraud, oppression or monopoly. But the function of Government is not to guarantee equality of reward for inequality of service. All a Government can do in this respect, even a paternal Government, is to give equality of opportunity.

There has been a great improvement in the Labor situation, not only in this country but abroad, within recent months. Productivity has increased very considerably, although by no means has it reached the degree of efficiency essential to industrial prosperity, upon which the welfare of Labor itself is dependent. One of the favorable signs of the times is that our politicians are less subservient to leaders of organized Labor than they have been for many years. Some of them have even the moral courage to tell Labor that in making unreasonable exactions it is adopting a suicidal policy. The temper of the American people to-day is to pay Labor so large a part of the profits of industry as can be done consistently with the healthy development of the industries themselves. In this, Americans display a sense of justice, and likewise an appreciation of the need to maintain a high standard of living among wage-earners, in order to insure that high standard of citizenship which is essential to the security and prosperity of a democratic form of government. But Labor must know that even so rich a nation as ours would inevitably soon be bankrupt if the cost of production exceeds the value of the product. Labor leaders are also beginning to realize the indisputable fact that if we are to successfully compete in our overseas trade, we must develop

the highest possible efficiency in labor, representing as it does so large a share in the cost of production. It is the extension of our export trade that keeps the wheels of industry moving.

Another reassuring circumstance is that we shall shortly have a revision of the tariff. In this connection we must keep in mind the great economic lessons we have learned from the war; one of which is the complete vindication of the fiscal policy which has contributed so largely in the building up and expansion of our great and diversified national industries. There is another lesson of which we should be mindful, i. e., the importance of developing such industries as are indispensable in time of war. Fortunately our people now recognize more clearly than ever before the interdependence of the industries of the country. They know the dependence, for example, of agriculture on the prosperity of the manufacturing industry, for in the manufacturing centers it finds its best markets. They realize that the key-note of our economic and fiscal legislation must ever be to preserve unimpaired the integrity of our domestic industries, and the purchasing power of our incomparable home market, which absorbs more than ninety per cent. of the products of American labor—in value more than twice that of the total export trade of the entire world. There is fortunately a growing disposition to regard the tariff as an economic, rather than a political issue. This is evidenced by the renunciation of the Free Trade fetich by many sections of our Southern states. In the revision of our tariff we must take in consideration the fact that we are now a creditor nation; that Europe cannot pay even the interest upon our loans in gold, and even were it possible, it would not be to our advantage to receive our payments in gold. The United States already has more than a third of the gold supply of the world, and the influx of gold continues.

We are faced, in the matter of the tariff revision, with the danger of being impaled on one of the two horns of the dilemma in the liquidation of Europe's debt to us. If we accept her products we must correspondingly curtail our own industrial activities, which would involve widespread unemployment and consequent distress. It would be far better for us to cancel our European credits—and to this we are unalterably opposed—than to risk the danger of paralyzing our own industries

by accepting European products without great caution. We need not, however, erect an absolutely impenetrable tariff wall. We must have a bargaining tariff, of course, to enable us to prevent discrimination by other nations in favor of our competitors.

The present situation in the world trade is an interesting economic paradox. In our country we have the anomalous situation of great harvests, a large surplus of American products of industry, unparalleled capacity of production on the one hand, and on the other, the markets of the world demanding, indeed beseeching us in vain, for our surplus goods. It would avail us little in view of the chaotic financial situation in Europe to resume industrial activities on a scale commensurate with our capacity. Indeed the reaction would be to aggravate the very conditions under which we suffer to-day, i. e., congested markets. It has been asserted that the present freight rates to the seaboard are partly responsible for our inability to sell goods to Europe. I do not believe this to be true. As a matter of fact, if many of our products destined for foreign consumption were delivered to our seaports free of charge, it would not even then be possible to effect a sale to the countries of Europe because of their lack of financial credit. How to quickly dispose of our superabundant goods, and to reestablish international credits so as to enable us to actively resume industrial activities, is for the moment the problem of problems. The *laissez-faire* policy is the line of least resistance, but would require a long time in attainment. It seems to be up to our Government to take the initiative and the leading part in the development of the requisite financial scheme. We are a great world power and we can be the dominating world influence, if we but take advantage of the opportunity presented. But we must not be deterred from coöperation with other nations by the fear of entangling political alliances—that would be provincialism unworthy of a great power, and likewise incompatible with our national prestige and aspiration. This does not mean that we should subordinate our sovereignty in a league, or in an association of nations. It does mean, however, that we must recognize the fact that with the enjoyment of international rights, there are international correlative obligations. Moreover, as a creditor of Europe in a large amount, we are in a

position analogous to that of a banker who has loaned money to a customer whom he finds necessary to "carry along" temporarily, in order to protect the bank against the eventuality of the loss of the loan.

These are problems of to-day—temporary though urgent economic expediencies.

I should like briefly to refer to the situation which will exist after world conditions have again become normal. At that time we shall be confronted with new and serious problems in the expansion of our foreign commerce. The industries of Great Britain and Germany will have been reestablished, and we shall consequently be deprived of a very large part of the profitable markets we now enjoy in those countries. We shall be compelled to seek elsewhere for our customers, but where are they to be found? Certainly not in considerable numbers in other parts of Europe, for those nations will likewise become less dependent upon us than at present. It is to the so-called "backward" nations in South America, Africa, Asia and Russia that America must look in the long run for future markets. Economists who have studied the world's natural resources believe that the potential wealth is sufficient to insure a state of universal prosperity. Where one section of the world lacks certain materials compensation will be found in the development of its other resources. There is hardly an inhabited region of the globe that may not be made to produce commodities essential to other parts. There would be, in short, everything necessary for the comfort and well-being of the billion, seven hundred million people who inhabit the earth, if the world's natural resources were utilized. We are living in an age of waste.

There are, to illustrate, upon this earth hundreds of millions of human beings who merely eke out a miserable existence, because they lack the opportunity to engage in productive industry. They are to-day a liability, but we can convert them tomorrow into an asset in the ledger of civilization. Think of the great undeveloped natural resources of these backward nations, with their teeming though idle populations, possessing potential industries the development of which would assure them plenteous harvests, and an abundance of all commodities essential to the welfare of mankind. What is required are means

for the development of these countries, together with facilities to transport the products to markets where they would be welcomed. This aspiration would require the investment of large sums of capital abroad. America is the only nation competent to undertake the financing of this great project. It must be done gradually of course, but much can be accomplished within the near future. If we do this, we shall not only create the markets necessary for the expansion of our own industries, but indirectly we shall provide markets for the products of Europe, and thereby shall establish the credit of our Allies, and thus enable them to liquidate their debt to us. This would be a great service to humanity, and at the same time of incalculable benefit to our own country. The investment of a nation's capital abroad is the best means of promoting its foreign trade, for trade follows the nation's dollar just as surely as it follows its flag. It is the open sesame to foreign ports. As a result of many years' experience in the development of industries in different parts of the world, I am convinced, not only of the inestimable advantage, but also of the righteousness of the much misunderstood and therefore greatly deprecated dollar diplomacy. To attain the high efficiency requisite to success in our foreign trade, we must have the aid of fostering legislation at home, and of able commercial diplomacy abroad. We need in our diplomatic corps more men of acumen and business experience to successfully cope with the trained business diplomats who, while affecting contempt for the commercial aspect of diplomacy, are nevertheless keen to promote the opportunities of their countrymen.

The extension of banking facilities is of great importance in the development of foreign trade, and of inestimable advantage too is the maintenance of a merchant marine. While our newly created merchant marine is at present admittedly in a parlous state, the unalterable determination of American people to develop this important adjunct will insure ultimate success. The problem is indeed a complex one, and under present conditions of international trade would be hopeless of solution, but with the revival of world commerce the task will be greatly simplified. We should face the issue squarely and revise our grotesque navigation laws, and should also provide subventions and Governmental assistance in other ways,

even the giving of subsidies in order that our merchant marine shall not be handicapped in competition with the subsidized fleets of our great trade rivals. The rehabilitation of our transport systems is of paramount importance. We are hoping that our budget system will do much to prevent the reckless expenditure of the national treasury in the future. We are disappointed with what has been accomplished as yet, but nevertheless do not despair that there will be a revision of the present system of taxation, which has contributed largely to our business depression by withdrawing from circulation capital, the life-blood of industry. There is no doubt that the coöperation of civic bodies such as yours, urging the passage of needed legislation, would avail greatly to expedite Congressional action—indeed would be welcomed by the leaders in Congress, who would thus be reassured as to the popularity of the measures proposed. For while our statesmen may be criticised for playing politics, when influenced by such considerations, after all the main business of a politician, according to the casuistry of the profession, is to strive to give fitting expression to the will of the people in enactment of laws for the public good.

WILL H. HAYS

TEAMWORK

[Will H. Hays was born in Sullivan, Ind. in 1879, graduated from Wabash College in 1900. The same year he was admitted to the Indiana Bar and elected Republican committeeman for his precinct. Since then he has been appearing constantly before the public as a speaker with a rapidly widening reputation. As Chairman of the Republican National Committee he organized the successful campaign of 1920 and entered President Harding's cabinet as Postmaster General. After a year's service he resigned to become President of Motion Picture Producers and Distributors of America, Inc.]

This address was given by Mr. Hays as Postmaster General before the Annual Convention of the National Association of Letter Carriers in St. Louis, Labor Day, Sept. 5, 1921.]

IN his inaugural address on March 4th President Harding said: "Service is the supreme commitment of life. I would rejoice to proclaim the era of the golden rule and crown it with the autocracy of service."

This is Labor Day. It is not the birthday of a hero nor the founding of a nation; it is not the anniversary of a battle nor the crowning of a king. It is the day when the world by outward manifestation recognizes the worth of man; when man as man feels his power and glories in it. It is the day when from one end of the Republic to the other millions of citizens are paying tribute to that vast army which follows the banner of Labor—the most potent factor in building up and making great and strong this nation. It is the day when we teach our children that labor is honorable and only through it can we possibly hope to achieve the beneficent ends for which society is established and government founded. Such is the day we celebrate to-day, such is Labor Day everywhere.

Labor organizations have their origin in the instinct of self-preservation, of mutual advancement, of common good, and are as natural and legitimate as the organization of capital. In fact, the organization of labor and capital naturally go hand in

hand. The one is essentially the complement of the other. That labor organizations have done much to advance the cause of labor there is no question. They have been earnest advocates of education, knowing full well that knowledge is power. They have founded benefactions and paid millions of dollars to their members. They have helped to increase wages and secure reasonable hours of service from unworthy employers. They have helped to abolish the conditions in the sweat shops of many of the great cities. They have stood against the abuses of child labor. They have taught the necessity of observation of contracts, knowing that contracts are founded in honor and are the basis of commercial success. They are opposed to anarchy for they know that labor's best interests are dependent upon the maintenance of orderly and stable governments.

The labor of the country constitutes its strength and its wealth; it is the country's one greatest asset. In the war crisis through which we have passed the labor of the country was its salvation. The better that labor is conditioned, the higher its reward and wider its opportunities, and the greater its comforts and refinements, the better will be our civilization, the safer will be our government, the more sacred will be our homes, the more capable our children, and the nobler will be the destiny which awaits us.

It is not given to the wisest to see into the future with absolute clearness. No man can be certain that he has found the entire solution of these infinitely great and intricate problems and yet each of us, if he would do his duty, must strive continually in so far as within him lies to bring about that solution.

We must remember first that we are all one people; that we are all the workmanship of the same divine hand; that with our Creator there are neither kings nor subjects, masters nor servants, other than stewards of his appointment to serve each other according to our different opportunities and abilities. And we must learn the two lessons, the lesson of self-help and the lesson of giving help to and receiving help from others. There is not a man of us who does not sometimes slip, who does not sometimes need a helping hand, and woe to him who, when the chance comes, fails to stretch out the helping hand. It is as dangerous now as it was just outside the walls of Eden

to ask in surprise, "Am I my brother's keeper?" If this is our criterion we can face unflinchingly great industrial problems, vast in their importance and complexity. For myself I am convinced that the true solution of the questions arising between labor and capital lies in an awakened public conscience, in a thorough inculcation of the spirit of fair dealing among men; then in organization, and in wise humane leadership, and in the establishment of boards of conciliation or arbitration which are absolutely free from the polluting touch of selfish interests or political demagogues, to which the interests concerned may freely and confidently appeal. I believe, too, that we must develop a reasonable method for honest and efficient labor to have an opportunity to acquire an interest in the business to which it is expected to give its best efforts. Pending this development, the equilibrium between production and wages must be established and maintained and there must be justice for all—exact justice, the justice of right and of reason, and not of force. Force is the method of the savage—patience and diplomacy of the sage. Let our motto be to build up, not in any sense to tear down, remembering always that law and order are above all things else.

This is no generality, no mere truism. You have laws in your association. Neglect your laws and your association will fail. Obey your laws and your association will stand. Let care be taken in the making of laws and when made see that they are obeyed. Have officers that will enforce them; if they don't, then change your officers. The labor unions of the country will realize that as they value their success, so will they value law and order, knowing that without law and law obeyed there are chaos, calamity and ruin. We are the freest government on the face of the earth, but our strength rests in a patriotism which measures a regard for law and order in reverence. Anarchy flees before that patriotism. Peace and order and security and liberty are safe so long as that kind of love of country burns in the hearts of the people. Never must it be forgotten that liberty does not mean license. Liberty to make our laws does not give us a license to break them. Liberty is responsibility and responsibility is duty, and that duty is to preserve the exceptional liberty which we enjoy within the law and by the law without any temporization or compromise what-

soever. "Liberty is fire in the hearth; license is fire on the floor."

The fact is of course, my friends, that the brotherhood of man and the Fatherhood of God is the one reality of immeasurable stupendity. The one idea which, (I quote:) "like a golden thread runs through all history, is the brotherhood of man and the Fatherhood of God. It ties all ages together. It relates all peoples. It explains all events. It illuminates all history. The development of successive centuries is but the result of the orderly processes of evolution, the gradual unfolding of this supreme purpose of God."

Living is a serious business, my friends. It is a serious thing to live; yes, a serious, but a glorious thing to live. Whether we believe as Christians, as we do, that there is a future life; or whether we believe with infidels that death ends all, of one thing we are certain—we are here. The great present is about us—the most potent presence since time began. Truly, to live, to really be and do in this great day of being and doing, is of tremendous consequence. It's a great battle. A magnificent contest. A glorious struggle. And every right-minded man must needs be filled with the righteous desire to be one in the total of its activities, to be one in the quotient of being—and to be as near the left side of the number as possible.

Yet, my friends, there is danger in this roaring, toiling, stormy fray, of becoming so imbued with the spirit of conquest, so animated with the zeal of success, or even impelled by the smartings of defeat, so full of the strife itself, that the beauties of life are lost sight of, the tender emotions smothered, and we are prone to forget that the "other man" is our brother; that he is born of a mother as we are; that he is possessed of the same feelings as we are; that his strivings, his endeavorings, are as worthy as our own and entitled to the same consideration. Then, my friends, it does us well to pause and ask ourselves:

"We live in deeds, not years; in thoughts, not breaths;
In feelings, not in figures on a dial.
We should count time by heart-throbs.
He most lives
Who thinks most, feels the noblest, acts the best."

Platitudes, these, one may say. Platitudes, perhaps, but the one and only successful practical working philosophy of life. Personally, I would rather love my friends and be loved by them than to have all the wealth in the world.

"Friendship like a noble river,
Rolls its peaceful waters by;
Tempest tossed and troubled never,
Gliding to eternity."

It gives me great pleasure to attend the annual convention of the National Association of Letter Carriers. There is no division in all the great postal service of more importance than the letter carriers. It is the letter carrier who finally delivers the goods. The carriers are the points of contact most intimate with the public. It is the carrier that will not only deliver the mail in the courteous, efficient and proper manner which the public requires—the carrier can do more than any other agency in educating the public to aid the service. I would hope that the carriers make this their business, just as certainly as the delivery of the mail, in order that early mailing may be encouraged, that the mail may be properly prepared and addressed, and that all the instructions to facilitate the service which the department would have reach the public might be carried to the public by the carriers themselves.

You know, the postal service is generally taken for granted like the sequence of the seasons. Men forget that it is a fact that the United States postal service is the biggest distinct business in the world; that we have 300,000 employees immediately connected with the operation, with 100,000,000 customers. The annual turnover of the business in the Postoffice Department amounts to nearly three billion dollars, with an expenditure of 600 millions annually. We have the largest express company in the world, handling over two billion packages last year. We have the largest savings bank in the world in number of depositors, with 75 per cent of the depositors of foreign extraction. There is twice as much postal business done in New York City alone as in the entire Dominion of Canada. The business of the New York office has increased 289 per cent since 1912—with no increase in postal facilities since that

date. A million seven hundred thousand letters are handled every hour by the Postoffice Department. Every time you buy a postage stamp you are a part of a total of 14 billions annually. There are 1,125,000,000 postal cards sold each year and 9,000,000 stamped envelopes; debts to the amount of \$1,500,000,000 are satisfied each year through the sale of 150,000,000 money orders. The earth could be encircled ten times with the two rails on which the mail is carried in the United States. We use 400,000 quarts of ink in a year and 25,000 quarts of mucilage, and enough lead pencils to place one behind the ear of 1,500,000 persons. We use 800,000 miles of twine every year, enough to girdle the earth thirty times. There are 19 million undeliverable letters handled annually by the Division of Dead Letters owing to the neglect of the public in addressing mail. In New York City alone there are over 250,000 letters readdressed daily by clerks from city directories. Just imagine the tremendous cost this is to the taxpayers, due to carelessness of mailers. Seventy-five per cent of all mail posted is dumped into the postoffice at the end of each day, straining the human postal machine almost to the breaking point. An accumulation of unsettled claims for indemnity on lost and damaged parcels has been reduced from 175,000 in March to a condition that will be current in thirty days more. Fundamental changes are being made daily in the operation of the service.

When we took hold of the administration of the postoffice it seemed to me that the field in which the greatest progress could be made in the shortest time was in the welfare of the men and women engaged in the work. I have felt very strongly and have tried to express the hope that all employees will feel that they are to work with me, not for me, in this service to the public. I have promised and promise you now that in return your labor shall be regarded in common with my own, not as a commodity but as the result of the striving of living human beings. I would reiterate that the idea that labor is a commodity was abandoned 1921 years ago last Easter. This does not imply, of course, that we are to be lax or slothful; the very opposite is true. It means that we are expected to perform our duties faithfully just as the President performs his.

I am determined in all seriousness to go to great lengths to develop in the department the spirit that we are 300,000 partners, for such is the fact. The working conditions in many places are unsatisfactory and a large amount of improvement must be made in that direction. There is no doubt about the quality of the postal employees—there is no better set of men and women in the world. They have the brain and they have the hand to do this job well, and once again their full heart has come into the service.

We are trying to develop, as you know, a Welfare Department, just as definite in its duties and certain in its functioning as the fiscal department or any other department. The whole matter of this welfare effort is tremendous. It must be, however, of your and not my development. Paternalism is as obnoxious to me as it is to you. The really successful welfare movements are those developed in the business itself among those who are most intimately concerned. I would build a welfare organization solely for the purpose of supplementing and encouraging the program of the employees.

Every other large industry in the country has adopted welfare measures. This humanizing business is not original. It has been the definite trend of American business for the past generation. Just how far we can go with it in the Postoffice Department I do not know, but it is certain that very much can be done, and not in any sense in lieu of wages. All the things that are done successfully for the welfare of the employees in other successful business must be done as far as possible in this, the greatest of all business. Why it has not been seriously attempted before in the Postoffice Department I don't know. Uncle Sam must be just as good a boss as any private employer. It is certainly one of the very definite purposes of the days just ahead. If we can improve the spirit and actual conditions of the 300,000 men and women who do this job, that in itself is an accomplishment, and it is just as certain to bring a consequential improvement in the service as to-morrow's sun. I have said, and I reiterate in the dignity and responsibility of this presence, that it is my opinion that the postal establishment is most certainly not an institution for profit nor for politics, but an institution for service, and it is the President's most earnest purpose to improve that ser-

vice. You can't expect men and women to give service if they are to be the shuttlecocks of politics. It would be my very greatest satisfaction if in this effort I contribute a little to the end that the postal service be made more and more a desirable career into which the young can enter with a certainty that their service will be performed under reasonable conditions for a reasonable wage and for an appreciative people. The men and women who constitute the great army of employees are doing a distinct government and public service and they are entitled to an appreciation commensurate with the efficacy and importance of that service. The first element of a proper appreciation is to make certain that honest and efficient service shall be honestly recognized and that the merit system shall control without any subterfuge under any circumstances whatsoever. I have said, and I repeat, that my purposes are: First, to make such rectifications as in all decency and fairness must be made to assure a square deal; second, to strengthen and broaden the Civil Service at every point wherever possible to the end that merit may govern; third, with absolute fidelity to put the entire service upon a purely business basis so sound and so serviceable that no political party will ever again dare attempt to ignore or evade it ultimately.

That honest and efficient labor should have a voice in those phases of the management of business which concern working conditions and a living wage commensurate with the value of the service is but common justice. The practical application of this general idea to the postoffice is a problem which can not be worked out except with the coöperation of the postmaster—possibly with local councils in the larger postoffices composed of representatives of employees selected by them, and the postmaster of his representative. The idea might well be developed in order that employees may have an opportunity to express their opinion in open council as to the improvement of working conditions and, if possible, settle these questions locally. We have thought that it might be well to organize a national council composed of representatives of the employees, selected by them, who will meet in Washington periodically to discuss with the welfare head matters of importance when it is a question of national character.

And now, my friends, for us in the postal service here is the problem and here is the solution. It is the fundamental principle of democracy that we shall help one another, that all citizens shall coöperate in the work of government. And the work of government is not merely electing men to Congress to make laws and electing a President to execute them. It is just as truly government work to collect the mails, to transmit them to their destination, and to redistribute them and deliver them, and it is fitting for every citizen of our country to regard himself as practically interested in that work.

Teamwork all around, my friends, is the magician's wand that alone can make our governmental services what they should be and what they can be and what they will be if only that means is applied. You may regard me, if you will, as the wheel horse of the team, to do the hardest work, that's what I'm in this office for. And remember that it is a partnership proposition, all recognizing that we are engaged in the same transcendent problem with each other and with the public, the solution of which is to be found in the best postoffice service and the best government in all the world.

To you all, as fellow citizens of our common country I plead for a patriotism in peace as well as in war. I insist that we have not merely that patriotism born of extremities, which burns in the souls of men only when their country is in danger, not the patriotism which is stirred only by martial music—but a patriotism which moves men to make their country's welfare their own business and every day to realize what we owe to the country in which we live, and which moves us to discharge that debt by aiding in every way we can to make and keep conditions right in this country.

The task ahead will measure the brain and heart of America. The guidance is in good hands. From the time of the nomination until now, I have discussed matters with President Harding in as serious a manner as men can talk, and of as important subject matters as can be discussed. President Harding possesses just those vital qualities of mind and heart necessary to-day and in the time ahead. His poise of mind, his soundness of judgment, his hold on fundamentals, his ap-

preciation of the needs of to-day and of to-morrow, his love of the people from whom he came and of whom he is one, and his faith in them; his magnificent grasp of large affairs, his great native ability and his training in statesmanship, his regard for the opinion of others, his experience and success in the handling of men, his proper appreciation of his country's position as a responsible factor in the world's future, but with the fullest realization of the absolute importance of our own supreme nationalism, his sterling Americanism, his righteous character and manhood, and withal his thorough humanness, all qualify him in the most exceptional degree for his tremendous responsibilities. The country will love him, trust him and follow him, just as all who know him love and trust him; and the world will honor him.

He is in no sense a partisan president, he is the president of us all—with enough Democrats voting for him to give them a fifty per cent. equity in him—and we may look with the most complete confidence to his performance. He means very, very much, indeed to the country's welfare.

It is a great country. I have been about a good deal of late. You have been up and down your stairway at home a hundred thousand times, but you can't tell the number of its steps. You can send a man there once to count the steps, and he is a better witness as to the number of steps than you are. I have been out in the late months all over, and I have counted the steps. The manhood and womanhood of America are sound. A little while before election I got off a train at Bangor, Maine, and the porter, handling a pretty large bag which I carry, said "How'd do, Mr. Hays." I was pleased, and I looked at him in surprise. He said, "Yes, I know you. I put this grip off the train the other day at Albuquerque, New Mexico." I have counted the steps, and the manhood and womanhood of America are sound. Everywhere, everywhere is the spirit of America; everywhere, everywhere, it is the manhood and womanhood of this republic. Often, in various places we would take walks on Sunday, when people are really more nearly as they are, and just see folks everywhere, and everywhere the churches, everywhere the schoolhouses, everywhere the fathers and mothers walking to worship, with the children running ahead with their little starched dresses and

little pink ribbons, everywhere the same look ahead, everywhere the evidence of hope and the same aspirations, practicing the faith of the fathers—all reaching upward, upward all of them, upward to the same God. All good, all ahead, all up, and up, and up. I tell you the manhood and womanhood of America are sound. It is a great, great country. And it is all ahead of us.

The stress of late days has strained all overmuch. A little patience may be well, and well may each look to his own industry and thrift, well may each look to his own conscience and his own moral responsibility. Let us remember that one man is only better than another when he behaves himself better. We all go up or all go down together. Let us give every well behaved man and woman in this country their equality of opportunity, and then let us require from them their full measure of accountability. Live and let live is not enough—we must live and help live in America. It will be all right. No exigency, however serious, will present to this nation an unsurmountable crisis. Every problem is solvable. Readjustment demands the best there is in us as a nation mentally and spiritually. We shall adhere to the true, clean thing, and never abandon our high ideals. This nation is a success; it is still the hope of the world; it must be made a yet greater blessing to the sons of men.

I am reminded of a poem in the "Saturday Evening Post" a little while ago, in dialect—which I cannot imitate—but which was called "Perspective," and it went like this:

You look 'way down 'long de railroad track
And you scratch yer crown; and your brain yer rack.
"By gum," y' say, "How de train don' gwine
To make its way where de two rails jine?"

On flies de train—for it don't appear,
To bodder de brain ob de engineer.
And y' sure to find wid de nearer sight
Dat de rails ain't jined and de track's all right.

Jes' so we all, in de future far,
See de path get small. How we gwine past dar?
But we 'proach de place and it wider seem
And we find dere's space for a ten-mule team.

JAMES J. HILL

THE NATURAL WEALTH OF THE LAND AND ITS CONSERVATION¹

[James J. Hill was born in Guelph, Ont., in 1838. He went from his father's farm to business in Minnesota. He soon became identified with the development of the Northwest. He established in 1870 The Red River Transportation Co. which was the first to open communication between St. Paul and Winnipeg, soon after organizing a syndicate which secured control of the St. Paul and Pacific R. R. which became part of the Great Northern system in 1890. Mr. Hill interested himself in building the Great Northern Railway extending from Lake Superior to Puget Sound with northern and southern branches and a direct steamship connection with the Orient. He was President of the Great Northern System from 1893 until 1907 when he became Chairman of the Board of Directors. He died May 29, 1916.

Mr. Hill was a man of force and vision. These qualities, which made him a great railroad builder, enabling him to amass a huge fortune, are also manifest in his speeches. The present address was given before the Conference of Governors which met in Washington in 1907.]

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IN the movement of modern times, which has made the world commercially a small place and has produced a solidarity of the race such as never before existed, we have come to the point where we must to a certain extent regard the natural resources of this planet as a common asset, compare them with demands now made and likely to be made upon them, and study their judicious use. Commerce, wherever untrammelled, is wiping out boundaries and substituting the world relation of demand and supply for smaller systems of local economy. The changes of a single generation have brought the nations of the earth closer together than were the states of the Union at the close of the Civil War. If we fail to consider what we possess of wealth available for the uses of mankind, and to

what extent we are wasting a national patrimony that can never be restored, we might be likened to the directors of a company who never examined a balance sheet.

The sum of resources is simple and fixed. From the sea, the mine, the forest and the soil must be gathered everything that can sustain the life of man. Upon the wealth that these supply must be conditioned forever, so far as we can know, not only his progress but his continued existence on earth. How stands the inventory of property for our own people? The resources of the sea furnish less than 5 per cent. of the food supply, and that is all. The forests of this country, the product of centuries of growth, are fast disappearing. The best estimates reckon our standing merchantable timber at less than 2,000,000,000,000 feet. Our annual cut is about 40,000,000,000 feet. The lumber cut rose from 18,000,000,000 feet in 1880 to 34,000,000,000 feet in 1905; that is, it nearly doubled in twenty-five years. We are now using annually 500 feet board measure of timber per capita, as against an average of sixty feet for all Europe. The New England supply is gone. The Northwest furnishes small growths that would have been rejected by the lumberman thirty years ago. The South has reached its maximum production and begins to decline. On the Pacific Coast only is there now any considerable body of merchantable standing timber. We are consuming yearly three or four times as much timber as forest growths restore. Our supply of some varieties will be practically exhausted in ten or twelve years; in the case of others, without reforestation, the present century will see the end. When will we take up in a practical and intelligent way the restoration of our forests?

Turning now to one of the only two remaining sources of wealth, the mine, we find it differing from the others in an important essential. It is incapable of restoration or recuperation. The mineral wealth stored in the earth can be used only once. When iron and coal are taken from the mine, they cannot be restored; and upon iron and coal our industrial civilization is built. When fuel and iron become scarce and high-priced, civilization, so far as we can now foresee, will suffer as man would suffer by the gradual withdrawal of the air he breathes.

The exhaustion of our coal supply is now in the indefinite future. The startling feature of our coal production is not so much the magnitude of the annual output as its rate of growth. For the decade ending in 1905 the total product was 2,832,402,746 tons, which is almost exactly one-half the total product previously mined in this country. For the year 1906 the output was 414,000,000 tons, an increase of 46 per cent. on the average annual yield of the ten years preceding. In 1907 our production reached 470,000,000 tons. Fifty years ago the annual per capita production was a little more than one-quarter of a ton. It is now about five tons. It is but eight years since we took the place of Great Britain as the leading coal-producing nation of the world, and already our product exceeds hers by over 43 per cent., and is 37 per cent. of the known production of the world. Estimates of coal deposits still remaining must necessarily be somewhat vague, but they are approximately near the mark. The best authorities do not rate them at much over 2,000,000,000,000 tons. If coal production continues to increase as it has in the last ninety years, the available supply will be greatly reduced by the close of the century. Before that time arrives, however, the use of lower grades and mines of greater depth will become necessary; making the product inferior in quality and higher in price. Already Great Britain's industries have felt the check from a similar cause, as shown in her higher cost of production. Our turn will begin probably within a generation or two from this time. Yet we still think nothing of consuming this priceless resource with the greatest possible speed. Our methods of mining are often wasteful; and we not only prohibit our industries from having recourse to the coal supplies of other countries, but actually pride ourselves upon becoming exporters of a prime necessity of life and an essential of civilization.

The iron industry tells a similar story. The total of iron ore mined in the United States doubles about once in seven years. It was less than 12,000,000 tons in 1893, over 24,000,000 tons in 1899, 47,750,000 tons in 1906 and over 52,000,000 tons in 1907. The rising place of iron in the world's life is the most impressive phenomenon of the last century. In 1850 the pig iron production of the United States amounted to

563,758 tons, or about fifty pounds per capita. Our production now is over 600 pounds per capita. We do not work a mine, build a house, weave a fabric, prepare a meal or cultivate an acre of ground under modern methods without the aid of iron. We turn out over 25,000,000 tons of pig iron every year, and the production for the first half of 1907 was at the rate of 27,000,000 tons. This is two and one-half times the product of Great Britain. It is nearly half the product of the whole world. And the supply of this most precious of all the metals is so far from inexhaustible that it seems as if iron and coal might be united in their disappearance from common life.

A few years ago a Swedish geologist prepared for his Government a report which stated that the entire supply of the iron ore in the United States would be exhausted within the present century. The United States Geological Survey declared this an over-statement; but here is the conclusion of its own report, after a careful examination of this question in the light of the best authorities. I quote the official published document: "Assuming that the demand for iron ore during the present century may range from 50,000,000 to 100,000,000 tons per year, the Lake Superior district would last for from twenty-five to fifty years more, if it supplied the entire United States. But counting on the known reserves elsewhere in the United States, the ore will last for a much longer period, though, of course, it must necessarily show a gradual but steady increase in value and in cost of mining, along with an equally steady decrease in grade." The most favorable view of the situation forces the conclusion that iron and coal will not be available for common use on anything like present terms by the end of this century; and our industrial, social and political life must be readjusted to meet the strains imposed by new conditions.

We now turn to the only remaining resource of man upon this earth, which is the soil itself. How are we caring for that, and what possibilities does it hold out to the people of future support? We are only beginning to feel the pressure upon the land. The whole interior of this continent, aggregating more than 500,000,000 acres, has been occupied by settlers within the last fifty years. What is there left for the next fifty years? Excluding arid and irrigable areas, the

latter limited by nature, and barely enough of which could be made habitable in each year to furnish a farm for each immigrant family, the case stands as follows: In 1906 the total unappropriated public lands in the United States consisted of 792,000,000 acres. Of this area the divisions of Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico and Wyoming contained 195,700,000 acres of surveyed and 509,000,000 acres of unsurveyed land. Little of Alaska is fitted for general agriculture, while practically all of the rest is semi-arid land, available only for grazing or irrigation. We have, subtracting these totals, 50,000,000 acres of surveyed and 36,500,000 acres of unsurveyed land as our actual remaining stock. And 21,000,000 acres were disposed of in 1907. How long will the remainder last? No longer can we say that "Uncle Sam has land enough to give us all a farm."

Equally threatening is the change in quality. There are two ways in which the productive power of the earth is lessened: first, by erosion and the sweeping away of the fertile surface into streams and thence to the sea; and, second, by exhaustion through wrong methods of cultivation. The former process has gone far. Thousands of acres in the East and South have been made unfit for tillage. North Carolina was, a century ago, one of the great agricultural states of the country and one of the wealthiest. To-day as you ride through the South you see everywhere land gullied by torrential rains, red and yellow clay banks exposed where once were fertile fields; and agriculture reduced because its main support has been washed away. Millions of acres, in places to the extent of one-tenth of the entire arable area, have been so injured that no industry and no care can restore them.

Far more ruinous, because universal and continuing in its effects, is the process of soil exhaustion. It is creeping over the land from East to West. The abandoned farms that are now the playthings of the city's rich or the game preserves of patrons of sport bear witness to the melancholy change. New Hampshire, Vermont, Northern New York, show long lists of them. In Western Massachusetts, which once supported a flourishing agriculture, farm properties are now for sale for half the cost of the improvements. The same process of deterioration is affecting the farm lands of Western

New York, Ohio and Indiana. Where prices of farms should rise by increase of population, in many places they are falling.

Practically identical soil conditions exist in Maryland and Virginia, where lands sell at from \$10 to \$30 an acre. In a hearing before an Industrial Commission the chief of the Bureau of Soils of the Department of Agriculture said: "One of the most important causes of deterioration, and I think I should put this first of all, is the method and system of agriculture that prevails throughout these states. Unquestionably the soil has been abused." The richest region of the West is no more exempt than New England or the South. The soil of the West is being reduced in agricultural potency by exactly the same processes which have driven the farmer of the East, with all his advantage of nearness to markets, from the field.

Within the last forty years a great part of the richest land in the country has been brought under cultivation. We should, therefore, in the same time, have raised proportionately the yield of our principal crops per acre, because the yield of old lands, if properly treated, tends to increase rather than diminish. The year 1906 was one of large crops and can scarcely be taken as a standard. We produced, for example, more corn that year than had ever been grown in the United States in a single year before. But the average yield per acre was less than it was in 1872. We are barely keeping the acre product stationary. The average wheat crop of the country now ranges from $12\frac{1}{2}$, in ordinary years, to 15 bushels per acre in the best seasons.

But the fact of soil waste becomes startlingly evident when we examine the record of some states where single cropping and other agricultural abuses have been prevalent. Take the case of wheat, the mainstay of single crop abuse. Many can remember when New York was the great wheat-producing state of the Union. The average yield of wheat per acre in New York for the last ten years was about 18 bushels. For the first five years of that ten-year period it was 18.4 bushels, and for the last five 17.4 bushels. In the farther West, Kansas takes high rank as a wheat producer. Its average yield per acre for the last ten years was 14.16 bushels. For the first five of those years it was 15.14 and for the last five 13.18.

Up in the Northwest, Minnesota wheat has made a name all over the world. Her average yield per acre for the same ten years was 12.96 bushels. For the first five years it was 13.12 and for the last five 12.8. We perceive here the working of a uniform law, independent of location, soil or climate. It is the law of a diminishing return due to soil destruction. Apply this to the country at large, and it reduces agriculture to the condition of a bank whose depositors are steadily drawing out more money than they put in.

What is true in this instance is true of our agriculture as a whole. In no other important country in the world, with the exception of Russia, is the industry that must be the foundation of every state at so low an ebb as in our own. According to the last census the average annual product per acre of the farms of the whole United States was worth \$11.38. It is little more than a respectable rental in communities where the soil is properly cared for and made to give a reasonable return for cultivation. Nature has given to us the most valuable possession ever committed to man. It can never be duplicated, because there is none like it upon the face of the earth. And we are racking and impoverishing it exactly as we are felling the forests and rifling the mines. Our soil, once the envy of every other country, the attraction which draws millions of immigrants across the seas, gave an average yield for the whole United States during the ten years beginning with 1896 of 13.5 bushels of wheat per acre. Austria and Hungary each produced over 17 bushels per acre, France 19.8, Germany 27.6 and the United Kingdom 32.2 bushels per acre. For the same decade our average yield of oats was less than 30 bushels, while Germany produced 46 and Great Britain 42. For barley the figures are 25 against 33 and 34.6; for rye 15.4 against 24 for Germany and 26 for Ireland. In the United Kingdom, Belgium, The Netherlands and Denmark a yield of more than 30 bushels of wheat per acre has been the average for the past five years.

When the most fertile land in the world produces so much less than that of poorer quality elsewhere, and this low yield shows a tendency to steady decline, the situation becomes clear. We are robbing the soil, in an effort to get the largest cash returns for each acre of ground in the shortest possible

time and with the least possible labor. This soil is not mere dead matter, subject to any sort of treatment with impunity. Chemically, it contains elements which must be present in certain proportions for the support of vegetation. Physically, it is made up of matter which supplies the principal plant food. This food, with its chemical constituents in proper admixture, is furnished by the decomposition of organic matter and the disintegration of mineral matter proceeding together. Whatever disturbs either factor of the process, whatever takes out of the soil an excess amount of one or more of the chemical elements upon which plant growth depends, ends in sterility. Any agricultural methods that move in this direction mean soil impoverishment; present returns at the cost of future loss; the exhaustion of the land exactly as the human system is enfeebled by lack of proper nourishment.

Our agricultural lands have been abused in two principal ways; first, by single cropping, and, second, by neglecting fertilization. It is fortunate for us that nature is slow to anger, and that we may arrest the consequence of this ruinous policy before it is too late. In all parts of the United States, with only occasional exceptions, the system of tillage has been to select the crop which would bring in most money at the current market rate, plant that year after year, and to move on to virgin fields as soon as the old farm rebelled by lowering the quality and quantity of its return. It is still the practice, although diversification of industry and the rotation of crops have been urged for nearly a century and are to-day taught in every agricultural college in this country.

The demonstration of the evils of single cropping is mathematical in its completeness. At the experiment station of the Agricultural College of the University of Minnesota they have maintained 44 experimental plots of ground, adjoining one another, and as nearly identical in soil, cultivation and care as scientific handling can make them. On these have been tried and compared different methods of crop rotation and fertilization, together with systems of single cropping. The results of ten years experiment are available. On a tract of good ground sown continuously for 10 years to wheat, the average yield per acre for the first five years was 20.22 bushels and for the next five 16.92 bushels. Where corn was grown

continuously on one plot, while on the plot beside it corn was planted but once in five years in a system of rotation, the average yield of the latter for the two years it was under corn was 48.2 bushels per acre. The plot where corn only was grown gave 20.8 bushels per acre for the first five and 11.1 bushels for the second five of these years, an average of 16 bushels. The difference in average of these two plots was 32.2 bushels, or twice the total yield of the ground exhausted by the single-crop system. The corn grown at the end of the ten years was hardly hip high, the ears small and the grains light. But the cost of cultivation remained the same. And the same is true of every other grain or growth when raised continuously on land unfertilized. We frequently hear it said that the reduction in yield is due to the wearing out of the soil. The fact is that soils either increase or maintain their productivity indefinitely under proper cultivation.

The remedies are as well ascertained as is the evil. Rotation of crops and the use of fertilizers act as tonics upon the soil. The more careful and thorough the tillage, the less the waste and the speedier the restoration of soil values. We might expand our resources and add billions of dollars to our national wealth by conserving soil resources, instead of exhausting them.

Every intelligent and progressive farmer will join stock raising with grain raising. Nature has provided the cattle to go with the land. There is as much money in live stock as there is in grain. Looked at in any way, there is money in live stock; money for dairy products, money for beef, money for the annual increase, and most money of all for the next year's crop when every particle of manure is saved and applied to the land.

We need not consider at present really intensive farming, such as is done by market gardeners with high profit, or such culture as in France, in Holland, in Belgium and in the island of Jersey produces financial returns per acre that seem almost beyond belief. What our people have to do is to cover less ground, cultivate smaller farms so as to make the most of them, instead of getting a scant and uncertain yield from several hundred acres, and raise productivity by intelligent treatment to twice or three times its present level.

There is more money in this system. The net profit from an acre of wheat on run-down soils is very small; consequently decreasing the acreage of wheat under certain conditions will not materially decrease profits. Here are some reliable estimates. The price of wheat is given from the United States Department of Agriculture Yearbook, average for ten years:

Yield	Price	Market value per acre	Cost of pro- duction in- cluding rent	Net profit or loss
20	\$0.638	\$12.76	\$7.89	+\$4.87
16	"	10.21	"	+ 2.32
12	"	7.66	"	— 0.23
10	"	6.38	"	— 1.51
8	"	5.10	"	— 2.79

From the above table it will be seen that as large a net profit is realized from one crop of 20 bushels per acre as from two crops of 16 bushels; and that a 12-bushel crop or less yields a net loss. It is safe conclusion that 75 acres of land, growing a crop of clover every fourth year, will yield a larger net profit than will 100 acres sown to grain continually. A small field of eight acres of clover in the Red River valley in 1907 yielded 42 bushels, worth over \$60 per acre from the sale of seed.

Nearly 36 per cent of our people are engaged directly in agriculture. But all the rest depend upon it. In the last analysis, commerce, manufactures, our home market, every form of activity runs back to the bounty of the earth by which every worker, skilled and unskilled, must be fed and by which his wages are ultimately paid. The farm products of the United States in 1906 were valued at \$6,794,000,000 and in 1908 at \$7,778,000,000. All of our vast domestic commerce, equal in value to the foreign trade of all the nations combined, is supported and paid for by the land. Of our farm area only one-half is improved. It does not produce one-half of what it could be made to yield; not by some complex system of intensive culture, but merely by ordinary care and industry intelligently applied. It is the capital upon which alone we can draw through all the future, but the amount of the draft that will be honored depends upon the care and intelligence

given to its cultivation. Nowhere in the range of national purposes is the reward for conservation of a national resource so ample. Nowhere is the penalty of neglect so threatening.

The pressure of all the nations upon the waste places of the earth grows more intense as the last of them are occupied. We are approaching the point where all our wheat product will be needed for our own uses, and we shall cease to be an exporter of grain. There is still some room in Canada, but it will soon be filled. The relief will be but temporary. Our own people, whose mineral resources will by that time have greatly diminished, must find themselves thrown back upon the soil for a living. If continued abuse of the land should mark the next 50 years as it has the last, what must be our outlook?

Even the unintelligent are now coming to understand that we cannot look to our foreign trade for relief from future embarrassment. Our total exports, about one-fourth in value of the products of our farms, and destined to shrink as consumption overtakes production, consist to the extent of more than 70 per cent. of articles grown on the soil or directly sustained by it, such as live stock, or made from soil products, such as flour. Of all the materials used in manufacture in this country, 42 per cent. are furnished by the soil. We shall have less and less of this agricultural wealth to part with as population increases. And as to enlarging greatly our sale of manufactured products in the world's markets, it is mostly a dream. We cannot finally compete there, except in a few selected lines, without a material lowering of the wage scale at home and a change in the national standard of living which our people are not ready to accept without a struggle. When capital cannot find a profit there will be no money for the payrolls of an unprofitable business. Doubtless as we grow we shall buy more and sell more; but our main dependence half a century ahead must be upon ourselves. The nation can no more escape the operation of that law than can the man.

Not only the economic, but the political future is involved. No people ever felt the want of work or the pinch of poverty for a long time without reaching out violent hands against their political institutions, believing that they might find in a

change some relief from their distress. Although there have been moments of such restlessness in our country, the trial has never been so severe or so prolonged as to put us to the test. It is interesting that one of the ablest men in England during the last century, a historian of high merit, a statesman who saw active service and a profound student of men and things, put on record his prophecy of such a future ordeal. Writing to an American correspondent 50 years ago, Lord Macaulay used these words:

"As long as you have a boundless extent of fertile and unoccupied land your laboring population will be found more at ease than the laboring population of the Old World; but the time will come when wages will be as low and will fluctuate as much with you as they do with us. Then your institutions will be brought to the test. Distress everywhere makes the laborer mutinous and discontented and inclines him to listen with eagerness to agitators who tell him that it is a monstrous iniquity that one man should have a million and another cannot get a full meal. . . . The day will come when the multitudes of people, none of whom has had more than half a breakfast or expects to have more than half a dinner, will choose a legislature. Is it possible to doubt what sort of a legislature will be chosen? . . . There will be, I fear, spoliation. The spoliation will increase the distress; the distress will produce fresh spoliation. . . . Either civilization or liberty will perish. Either some Cæsar or Napoleon will seize the reigns of government with a strong hand or your republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire in the fifth."

We need not accept this gloomy picture too literally, but we have been already sufficiently warned to prevent us from dismissing the subject as unworthy of attention. Every nation finds its hour of peril when there is no longer free access to the land, or when the land will no longer support the people. Disturbances within are more to be feared than attacks from without. Our government is built upon the assumption of a fairly contented, prosperous and happy people, capable of ruling their passions, with power to change their institutions when such change is generally desired. It would not be strange if they should in their desire for change attempt to pull down the pillars of their national temple. Far may this day be from us. But since the unnecessary destruction of our land will bring new conditions of danger, its conservation,

its improvement to the highest point of productivity promised by scientific intelligence and practical experiment, appears to be a first command of any political economy worthy of the name.

These are for us quite literally the issues of national existence. The era of unlimited expansion on every side, of having but to reach out and seize any desired good, ready provided for us by the Hand that laid the foundations of the earth, is drawing to a close. The first task is to force the facts of the situation deep into the public consciousness; to make men realize their duty toward coming generations exactly as the father feels it a duty to see that his children do not suffer want. In a democracy this is a first essential. In other forms of government one or two great men may have power to correct mistakes, and to put in motion wise policies that centuries do not unsettle. A part of the price of self-government is the acceptance of that high office and imperative duty as a whole by the people themselves. They must know, they must weigh, they must act. Only as they form and give effect to wise decisions can the nation go forward. The principle of the conservation of national resources as the foremost and controlling policy of the United States henceforth is coming to be seen by many, and must be heartily accepted by all, as the first condition, not only of continued material prosperity, but also of the perpetuation of free institutions and a government by the people. The work now being done by the Department of Agriculture and the agricultural colleges of the various states furnishes a broad and intelligent foundation upon which to build up a new era of national progress and prosperity. It calls for a wise, generous and continuing policy on the part of both federal and state governments.

If this patriotic gospel is to make headway, it must be by organized missionary work among the people, and by the people. It cannot go on and conquer if imposed from without. It must come to represent the fixed idea of the people's mind, their determination and their hope. It cannot be incorporated in our practical life by the dictum of any individual or any officer of nation or state in his official capacity. It needs the coöperation of all the influences, the help of every voice, the commendation of nation and state that has

been the strength and inspiration of every worthy work on American soil for one hundred and twenty years. Reviving thus the spirit of the days that created our Constitution, the days that carried us through civil conflict, the spirit by which all our enduring work in the world has been wrought, taking thought as Washington and Lincoln took thought, only for the highest good of all the people, we may give new meaning to our future; new luster to the ideal of a republic of living federated states; shape anew the fortunes of this country, and enlarge the borders of hope for all mankind.

HERBERT CLARK HOOVER

AFTER-WAR QUESTIONS

[Herbert Clark Hoover was born at West Branch, Iowa, in 1874, graduated from the Leland Stanford University in 1895, and has since received honorary degrees from many universities at home and abroad. His profession as an engineer led him to important work in connection with the mines, railways and metallurgic enterprises in nearly all parts of the World. At the outbreak of the War, he was in England and soon became chairman of the Commission for Relief in Belgium. On the entrance of the United States into the War he became U. S. Food Administrator and later served in many important positions directing measures for economic relief in Europe. He was appointed Secretary of Commerce in the cabinet of President Harding in 1921.

Mr. Hoover's remarkable leadership in the work of Belgian relief won him the admiration of the world. His great abilities as administrator have been constantly devoted to public service. His speeches attract thoughtful attention, for he always has something to say. The address which follows was made before the Los Angeles Chamber of Commerce on the 21st of March, 1922.]

CAPTAIN FREDERICKS, MY FRIENDS: I am unable to make adequate reply to the warm, affectionate statements of your chairman, or adequate appreciation of the heartiness or warmth of your reception. I have never been able to give an expression from the heart that I feel should come to you in return for so great a tribute. It has indeed been my duty, my part of service as an American citizen, to represent the American people in great services to children and in all those services I have but represented the great heart of America.

I had thought to-day to talk to you on the general economic situation in which we find ourselves; upon some of the problems that we must meet as a government and as men; upon some of the remedies that we must find; and upon some of the problems for which we have no remedy and yet a remedy must be found.



HERBERT C. HOOVER

There is little use taking your time in recounting what we have passed through in our economic life during the last seven years. There are some phases of it, as we now look back upon it, that we did not appreciate, else we ought to have taken measures that would not have left us in so difficult a situation. But there is no use crying over spilt milk. We must face the situation to-day as we find it. We must face our problems of reconstruction and regeneration with the courage that we as Americans have faced every problem in our history, and there is nothing in these problems for which we cannot find solution.

If we were to review those economic wounds that we received during the war, and the aftermath of the war, I should of course put first and foremost the tremendous inflation which the country was compelled to undergo in order that the war could be financed. Second to that I would place the injuries we received and still continue to receive from the necessity of diverting the whole of the productive power of the nation to the production of consumable goods for the purposes of war. We were compelled as a matter of mobilization of the energies of our people to stop the construction of homes and buildings; to stop the construction and maintenance of our railways. The result is that we find ourselves to-day under-equipped with our transportation establishments, with our homes and our houses. We find ourselves over-equipped with manufacturing capacity of consumable goods and with our labor diverted to these channels.

A third difficulty arose out of the war, and that was the very serious diversion of economic currents throughout the world. Few people appreciate the results that have flowed from the collapse of Russia alone. Russia before the war was the food base of western Europe. From Russia, the rest of Europe drew from ten to twelve million tons of food per annum. Russia exchanged its food for manufactured products and bore the same relation to Europe that the eastern part of the United States bears to the Mississippi Valley. With the collapse of Russia, western Europe has been required to find a new food base. It has been able to find it in the United States alone and our exports of food to-day find an increase over that before the war almost exactly in proportion to the decrease in Russia. Western Europe must exchange her products for food, and

yet America, over-equipped with manufacturing capacity, is unable to absorb what Europe is able to pay with her supplies. In consequence we have a badly balanced trade and a vast extension of credit to Europe during the last three years.

And on top of all the difficulties imposed on us by the war we have to-day to pay the penalty for a fourth derangement of our economic life. That is the orgy of speculation that overwhelmed us in the post-war period. In the period immediately following the war, the world was short of consumable commodities and we entered upon the most extravagant speculation and waste this country has ever gone through. The remedy to suffering from the economic wounds of the war alone would have been sufficient to have commanded the ability of all men engaged in leadership in this country, but to add to that the orgy of speculation in the years of 1919 and 1920 has brought our country to the greatest economic crisis we have ever faced in all our history. The year 1921 has been a year of continuous liquidation. We have gone through the greatest commodity crisis in the history of the United States. We have seen a fall of nearly 50 per cent, in the average value of commodities in less than eighteen months. That fall represents in consumable commodities alone, nearly thirty billions of dollars and has hit the pocketbook of every man, woman and child in the United States.

And yet, for the first time in our history, for the fourteenth business depression since the Civil War, we have gone through so great a commodity crisis—a crisis greater than any before in our history—and we have gone through it without a financial panic. We owe that security to our intelligence and foresight in the creation of the Federal Reserve System. Had we not been able to have weathered this commodity crisis without a financial panic, I doubt whether we could have recovered for years to come. But having gotten through without the vast volume of financial bankruptcy that has flowed from every financial crisis, we are on a more secure road to recuperation. When the credit strain passed its maximum last July when credits began to become freer, we at that point passed all dangers and from that date on, our whole economic fabric has been on the mend. We have been gaining steadily in production. We have been gaining steadily in employment. We

have gained steadily in financial stability and we have attained a fair amount of price stability except in a few industries.

One of the difficulties which we still face in this most terrible period of deflation is the inequality of deflation as between different industries. The agricultural industry, unorganized, has been unable to erect resistance to the economic pressures brought to bear on it. The farmers' price levels have not only receded to a point below the pre-war level, but with the failure of other price levels to adjust themselves with the same rapidity with the farmers' prices, he has been unable to purchase more than 60 per cent. than he was able to purchase in pre-war times. In fact, the buying ability of the American farmer as a whole is probably to-day not over 75 per cent. or 80 per cent. of pre-war. It is, in fact, below the point at which production can be maintained in the agricultural industry. The solution lies more in readjustment of other prices than in any great rise in agricultural produce. But in any event, from the inequalities of our deflation comes the sense of injustice in many of our industries, that they have been called upon to suffer more than others.

It is that latter feeling that gives rise to much agitation and difficulty throughout the country, and it behooves all of us to see to it that we give such remedies of permanent character to industries that have suffered the most as will retain them in alignment with our other industries.

This being the case, it becomes the business of the government to interest itself, to determine at what points the government may properly offer its services in relief and at what point it may properly intervene. But before any government can take intelligent action, it first must determine the facts, and therefore immediately upon this Administration assuming power, we determined that we must be in possession of more adequate machinery for determining facts, not only within the borders of the United States but throughout the economic world. And in order that we might secure this advice we undertook the reorganization of the Department of Commerce as being the agency that should become the economic interpreter of the American people both to and from the government.

With that purpose in mind and as a basis of organization, we gave consideration to the character of problems that must

come up for government review. In order that we should provide the equipment and machinery for the determination of fact, we recognized that department by establishing a series of divisions based first on the different commodities and different industries, and second upon a geographical basis representing different parts of the United States as well as different parts of the world.

This indeed was the one piece of reorganization in the federal government requiring additional appropriations, where those additional sums were consented to almost unanimously, not only by the administrative side of the government but also by Congress, despite rigid determination to reduce public expenditure. I think we have been unanimous in the feeling that no one could competently handle the problems with which we are compelled to contend, unless we had information—adequate information—upon which to base judgment.

When we come to the questions of solution, or relationship to different problems, we have, mentally at least, divided these matters into three categories. First, those questions requiring some emergency action on the part of the government to get over the temporary situation. Second, the more permanent action that could be taken by the government in coöperation with either the states or communities for the remedy of economic difficulties. And third, the far larger and greater series of solutions that were to be found by the coöperative action of the industries and institutions of the country in voluntary coöperation with the government. Ours is a people and ours is a government where, if we would preserve the initiative of the individual, where, if we would maintain the foundations of our own institutions, we must secure the remedy of economic difficulty and problems from the people themselves. Our service of government can be given in removing obstacles to commerce and industry and can be given in bringing about voluntary coöperation between different groups to this end.

In order that I should make these generalities more clear, I thought it might interest you if I were to discuss a few of the problems with which we have been confronted and the measures we have taken and the hopes we entertain with regard to them.

The first and most difficult of problems that we have had to

meet is the problem of agriculture, and of all the legislation advanced by this administration during the past year, aside from the normal functioning of the government, a large majority of our interest has been devoted to finding a solution of that problem. The first energy of this Administration in the Department of Commerce was exerted in study of the financial and commercial situation in agriculture, which incidentally is the whole problem. The first of the conclusions we came to was not only that they had been unduly deflated, but that this acuteness of deflation was to a considerable degree due to a loss of confidence together with a displacement of the normal world finance in carrying the burden of our annual stock of products.

We may take the cotton case as perhaps typical. Normally Europe, and our own spinners, purchased their cotton in the harvest season but Europe particularly could not finance the purchase beyond the day requirements. They then thrust upon the American farmer the burden of finance of the crop pending consumption. This in turn compelled undue selling pressure with a fall in prices below the amounts which had been advanced by the local banks in the South. With knowledge of that situation impending, the feeling on the part of the large American spinners of cotton was that a further crisis was impending and they in turn carried less than their normal share of stock. The result was a total loss of confidence in the price of cotton and with an impending new crop the price finally fell to the point where it brought some three thousand banks in the southern states into financial jeopardy and added another to the long categories of financial paralysis in the South. It seemed the first thing we must solve was the restoration of confidence in the financial background of that commodity. We made some attempt at voluntary organization of banks but at a time when all banks were under extreme duress. And finally we decided to do the thing many of us felt we never should do, and that was to put the tax-payers' money behind the agricultural products of the United States. We believed that if we established this reserve of finance, we would create a fund of confidence from which we would never be called to find the actual money. As those of you who have followed the matter probably know, after the money was made available

through legislation, the price of cotton immediately advanced from 8 cents to 18 cents a pound. The financing of the cotton crop requires some six to seven hundred millions, yet the total loans by the Government do not exceed eighteen million dollars to-day. We proved that the entire duress of the cotton farmer was derangement of the financial stream and the loss of confidence.

I could go through the problems of restoring the market and stability in live stock, through the measures undertaken in the matter of wheat and corn. It is mainly a problem of restoring confidence and giving insurance to the commercial community that there was not impending a great financial collapse.

These indeed are emergency measures and out of the experience we have had in connection with those measures we have learned some things that I believe must be put into our permanent fabric. Those of you who have given attention to our financial structure will recognize that we cannot subvert the Federal Reserve System to loans of duration beyond a very few months because the Federal Reserve System is the mobilization of demand deposits of the country which must be kept always available. On the other hand we have the Farm Loan Board—an institution that has done great service to the agricultural public in the matter of funds for farm mortgages. That Board provides funds for first mortgages by the mobilization of the investment capital of the country. Neither are governmental capital. Both are merely systems of mobilization of private capital.

We find as a result of our experience that the needs of the American farmer are not fully served by these institutions for he requires longer period of loans than the Federal Reserve System can compass and these are not covered by the mortgage credit of the Farm Loan Board. He must have commodity credit to produce and market, extending from six months to three years in the case of cattle. This type of capital can not be drawn from the Federal Reserve System, nor through the Farm Loan Board. We require the mobilization of the investment capital of the country by some device through which a volume of regular and constant credit may flow to the farmer for these purposes with the same assurance as the manufacturer enjoys to-day. We have therefore, proposed that an in-

stitution be created that will serve to fill in this lapse in the mobilization of our national finance. It is not a question of provision of government money. It is merely the erection of machinery by which the finances of the country can mobilize for the purpose of covering this particular area of credit. I mention that as being a type of the more permanent measures that must grow out of our experience since the war.

We have also a great problem of unemployment. It was supposed that last July, when we reached the point of greatest acuteness of unemployment, it exceeded six millions of men. This represented over 35 per cent of the actual working population of the United States. It became necessary for us to first take emergency measures that we might get by until the economic wounds of the country had been healed and these men be provided with employment through natural processes of business. We called an employment conference and that conference provided voluntary organizations of the country by which we have carried through the winter. The fine spirit with which the municipalities, the manufacturers and the leading men in every city and town in the industrial sections have met the situation has been indeed a fine credit to American men and American women. We have gone through this winter—the winter of greatest unemployment in our history—with scarcely a soup line in the United States. We have gone through it with the least suffering that we have had in any period of great unemployment. I will not say there has not been suffering, for there has. But nevertheless, through this voluntary emergency mobilization of coöperative effort, we have gone by the most difficult of winters which I hope that our generation will have to meet.

We come by this experience to the questions as to whether there is something that can be done of a permanent order that will minimize these great waves of unemployment that come upon us with every business depression. I know that many people will say that the idea that we could regulate the business cycle in the United States to give greater stability is preposterous. But the same people would have said it is equally preposterous to organize the Federal Reserve System as a remedy to periodic financial panics, if they had been speaking thirty years ago. I myself see no more reason why it is not possible we

should organize the industrial fabric of the United States so as to preclude the worst phases of these acute unemployment situations just as much as we have organized our financial system to preclude financial panics. The Department of Commerce is engaged on an exhaustive study of that problem and that it is not wholly in the land of dreams, I would point out to you one phase. If by any device we could postpone the construction of plants and equipment in the United States, even as to some small portion, during those periods in which we are engaged in high production of consumable commodities, and until periods when demands for consumable commodities have fallen, we could straighten out the curve of unemployment in the United States. Our investigation shows that if construction in public works, and public utilities could be retarded 10 per cent. per annum during years of prosperity and that saving in volume of construction and finance provided so it could be applied in years of depression, there would be no periodic wave of unemployment in the United States. Nor is that an infeasible thing to put into practice with more intelligent and with more coöperative action between our government and the great utilities.

We find there are other problems in this unemployment question that are pertinent and must find some form of remedy. I know of no better example than that of the bituminous coal industry. That industry has fallen into a vicious circle, constantly tightening, in its grip, until we are faced with the greatest coal crisis we have had to meet. You probably do not realize that that industry operates but an average of one hundred ninety and two days per annum. That is not a seasonable fluctuation in production. It is an intermittent production of nearly every mine. Whereas many other industries operate from two hundred and fifty to three hundred and twenty-five days in normal years, the bituminous coal industry operates an average of one hundred and ninety-two days. The economic aspect is that there are more mines than we need and thirty per cent. more men tied to that industry than we have any use for in the industry itself. It means worse things than that. It means a constant fight and endeavor on the part of those men to get out of one hundred and ninety-two days' work a year's living. And the strike now impending is inherently and at base a demand on the part of those men that they must have a living

wage based on one-half employment. That is not the fault of the men, nor is it the fault of the owner and operator of the coal mines. It is a vicious cycle into which the industry has fallen. Year by year we push up the wage per diem and the cost of coal to the consumer and shorten the time of operation. We must find a remedy somewhere and in the remedy lie three things. In it lies greater stability in industry, for no industry is so speculative as coal mining to-day. A solution means great stability, a higher annual earning for the men engaged in that industry. It means reduced cost of coal to the consumer. I have no solution to offer. I point out to you that this is but typical of the problems we must meet in the better organization and the reconstruction of our economic system.

I am afraid I have taken more than the allotted time.

I had a number of subjects, merely illustrative perhaps of the attitude of mind of the men who are trying to deal with these problems. One I wish to speak on a moment is the question of federal taxation. Very few of you realize the sort of permanence of our tax burden. If you will analyze the total of the federal budget, you will find that sixty odd per cent. relates to payment for previous wars, and as we have incurred the debt we cannot shirk the payment. Some twenty-odd per cent. relates to provision for future wars and in that direction we entertain high hopes of reduction in cost. In fact the first definite, positive step yet made in the history of the world for reduction of armament and the burden on the back of every man that toils, lies in the Washington Conference on Disarmament, for the ratification of which we are awaiting on the United States Senate.

We have been doing what we could to reduce expenditures. I am afraid we have, in many instances, cut the government expenditure to the quick and gone too far. But that we have done something may be indicated to you from the fact that we have dismissed sixteen thousand employees from the city of Washington alone. We have made an effort to reduce the burden of taxation on the backs of the American people. We have so far fought every measure that would add to those burdens. But when we come to contemplate the real remedy, the real measures that must be taken if we are to carry this burden, it seems to me we come into an entirely different line of

thought. The great majority of our tax burdens cannot be dismissed.

We need to build up the assets of the United States. If we could go ahead with the development program of natural resources of this country with rapidity and with the courage that we have carried the last twenty-five years, this burden of debt and taxation will trouble us but little. When we come to contemplate the great resources that we should undertake, we come to such opportunities as the development of the Colorado River. This great stream holds nascently four millions of horse power, the possibility of irrigation of four million more acres of land, capable of supporting on various estimates from three million to ten million people additional in the West, a worth while addition to the numbers who can assist in carrying our burdens.

And now, generally, one must bear in mind that we have suffered the greatest of economic wounds of our history. Neither the war of the Revolution nor the Civil War brought to us so much in economic difficulties as has the Great War. In both of those wars, in all of our previous wars, the rest of the world has been stable, has been able to throw its resources into the United States in support of our difficulties. But to-day we alone have any reserve strength in the economic world and therefore our difficulties are double. But economic wounds are like gun shot wounds—they must heal cell by cell. They cannot be healed by economic patent medicines and porous plasters. Their healing must be the result of proper health to the patient, the maintenance of his courage and cheerfulness. And the cells are the commercial and industrial men of the United States.

No one who holds faith in the greatness of America's resources, or the courage of our people, or the neighborliness or intelligence of our men and women, doubts for one moment that our people will return to full employment and ever increasing enjoyment of those blessings God has given to this land.

I never appear on an occasion like this, in discussion of these problems, that my thought does not revert to the fundamental thing. We are not a nation of machines, a nation of buildings, or factories, or railways. We are a nation of men and women

and children. Our industrial system and our commerce are simply the implements for their comfort and their happiness, and when we deal with these great problems of business and of economics we must be inspired by the knowledge that we are dealing with increase or decrease in their comfort and standards of living. And in dealing with these problems, you and I and thousands of other men throughout our country are endeavoring to materialize the hope that we shall have added somewhat to the standard of living and comfort of these one hundred millions of people. For upon the soil of their comfort and well-being will grow those moral and intellectual forces that make America itself.

JOHN GEORGE JONES

VISION AND PURPOSE

[John George Jones was born and educated in Wales. He came to this country in 1888, a boy of 18. He was one of the first in this country to organize salesmanship and sales management courses and has developed the well known department of sales organization in the Alexander Hamilton Institute. Salesmanship is not only a highly developed art but is becoming recognized as a science. Mr. Jones is one of its chief exponents. The following speech has been given before various business organizations.]

"Where there is no vision, the people perish."

—Proverbs 29:18.

MORE than two thousand years ago King Solomon (considered one of the wisest men of the ages) enunciated a principle which history through all the passing centuries has firmly established—"Where there is no vision, the people perish." When expressing this great truth, the great writer of Proverbs must have been thinking of the history of his own race. He thought back to the time when the young Hebrew boy, Joseph, was sold into captivity by his brothers. He reviewed the life of this poor, captive lad, who in a few years became one of the leaders of a great nation, and clearly saw the reasons for his success.

Solomon realized that this young interpreter of dreams was simply a clear thinker and a keen analyst who devoted his time to a close study of conditions, with a sound understanding of the various economic factors that had to do with panics and depressions, as well as the forces that governed the normal and more prosperous periods. Joseph had been able to advise the ruler of Egypt of a coming business reaction based upon the failure of harvests and the over-expansion of business. He had been successful in persuading the king to store away vast quantities of wheat and corn and had aided the business men of the nation in a business readjustment that forestalled

financial disaster. And because of his vision and high service he had become prime minister of the then greatest nation on earth.

With Joseph's success came the prosperity of his own people, who were invited into Egypt, where they became honored guests, enjoying the full privileges of citizenship. But long afterwards when a new ruler governed Egypt, "A man who knew not Joseph," the Israelites lost their standing as guests and were thrown into a state of captivity, becoming the slaves of Egypt and performing most of the hard and menial work within that country.

History tells of the years of suffering endured by this alien race, submitting to the stronger nation without any effective protest, entirely due to the lack of a leader with the vision and ability to change conditions.

After a time another man of vision came to the councils of the Israelites, and Moses, with the keen vision of a leader, determined to bring about the emancipation of his race. He, like Joseph, also saw ahead of Egypt a period of business disaster and crop failures, followed by suffering and famine. And Moses knew that with famine come sickness and plagues, and he prepared himself and his people for one of the master strokes of history. Just as Moses foresaw, so did it come to pass, and when all Egypt was suffering from hunger and the ravages of epidemics, the Israelites were unaffected. The vision of a Moses had directed the saving and secret storing of food supplies for years. The dwellings of his people were made sanitary and every precaution was taken to give them immunity from the plagues.

And this statesman, Moses, convinced the ruler of Egypt that all the nation's troubles were due to the unjust enslavement of his people. We all know how the Israelites were given their freedom and how Moses guided them through the wilderness toward the Promised Land, delivering them there with necessary laws to govern their growth and conduct as a nation.

"Where there is no vision, the people perish" not only recorded history up to Solomon's time, but was prophetic of the rise and fall of nations from those days until the present, and will continue to be an outstanding truth for all time.

It was Julius Cæsar, a man of vision, who welded the Roman

Empire into the first great world power and brought about its fruition as one of the most important nations of history. The lack of vision and definite purpose by Cæsar's successors permitted the Empire to decline and fall, giving itself over to dissipation and pleasure under the leadership of Emperors such as Nero.

There appeared in Spain a few centuries ago a man with a vision so clear and a purpose so well defined that nothing could daunt him. Columbus added a hemisphere to the world's geography and Spain developed into the greatest power of her period.

The human race owes much to the vision of Columbus, and he stands out among the beacon lights of history as a man of vision dominated by a definite purpose.

Vision has ever been the guiding angel of mankind; throughout history it has always been the man of vision who has led. No progress has ever been made without it and a nation's greatest assets are its men of vision, whether educators, statesmen, inventors or industrialists.

In this country above all others we have innumerable instances of the far-reaching influences and wonderful accomplishments of men with clear vision and worthy purpose. Our forefathers found on this side of the Atlantic a wilderness of undeveloped resources which only clear vision and indomitable purpose enabled them to develop. As the colonies progressed and prospered, until they had attained the size and dignity of a nation it was men of vision who foresaw its destiny and guided its steps into an independent federation of states. The names of such leaders as Washington, Jefferson and Hamilton will live forever as examples of men inspired by that clear vision of progress and service to mankind that ever leads to true accomplishment.

In those dark days when our nation faced disaster and dismemberment, it was Lincoln, endowed with a prophetic vision and a worthy purpose, who led his nation through a wilderness of conflicting opinions and varied emotions into a union that to-day stands in the van of world civilization and progress.

Just as men of vision take their places in the political growth and administration of nations, so do we find all busi-

ness and industrial developments influenced and promoted by men of great vision and purpose. The Great Northern Railroad was born in the mind of James J. Hill long before the first short spur of that system of railroads was built. "Jim" Hill, a freight checker on the wharf of a Mississippi steamship line, had visualized in the prairies of western Minnesota and the Dakotas an empire of wheat fields; he had, in imagination, developed the fruit orchards of Idaho, Oregon and Washington, and to him the rich treasures of the Rocky Mountains were the developed mines of Butte, the Coeur d'Alene, and the Black Hill regions. With such a vision developed into a constructive purpose, the name of James J. Hill stands to-day as one of the greatest forces in railroad development.

One night some years ago, a young telegraph operator, dispatching trains in and out of Pittsburgh, received the news over his wire that a railroad bridge was burning somewhere near Braddock. As he flashed the messages to the various telegraph offices along the line that stopped all traffic towards the burning bridge, he saw a vision. Andrew Carnegie's vision of steel bridges was responsible for the development of the great iron master, and to-day the United States Steel corporation is a monument to his vision and integrity of purpose.

Cyrus W. Field, when he conceived the project of laying an Atlantic cable, refused to be discouraged by successive failures. His vision of the benefits of a quick means of communication among the nations of the old and new worlds was so clear and his purpose so well defined that he carried through to success.

Young men often say to me that the day of great opportunity in business has passed. I have reminded many of them of the story of the old clerk in the United States Patent Office at Washington in the days before the Civil War. This clerk was so overwhelmed by the number of new inventions and the large list of patents already granted that he resigned his position. He saw no future for himself and honestly believed that there could be no new discoveries and no further improvements over old methods.

Yet since the Civil War we have seen more real progress in the world than was witnessed during several centuries pre-

viously. In the early sixties the steam engine was still a crude development in transportation. Electricity as motive and industrial power was unknown and still awaiting the prompting of vision and stability of purpose for development. Back in the early sixties it took two weeks or more to cross the Atlantic and more than a week to get from New York to San Francisco. To-day the ocean is crossed in the comfort of floating palaces within six days, and San Francisco is reached in less than five days on trains made possible by the development of the air brake and the great advancement in equipment of all kinds.

Men still in the prime of life remember the means of communication before Graham Bell gave us the telephone, and the vision of Theodore N. Vail caused it to become one of the greatest conveniences of modern society.

Only a few years ago the internal combustion engine was given to the world; already it has revolutionized life for all classes and conditions of people. The farmer of to-day plows his fields and harvests his crops and carries his products to market by tractor, truck and automobile. The horse dray has been replaced by the modern truck, and the old family carriage by the swift moving automobile.

The genius of Morse and the vision of Field gave us the Atlantic cable, and the imagination and accomplishments of Marconi now enable us to communicate with other parts of the world directly through the air.

The vision of Edison made it possible to bring the voice of a Caruso to a Dakota farm or a Colorado mining camp. To-day wireless development makes a great concert hall out of the whole world in which every home can become a sounding board.

The world is certain to progress and opportunity will always be with us as long as men of vision and purpose come into it. The great trouble with the average man is his entire lack of vision and a complete disregard of a purpose in life. Without vision a man is not far removed from the animal. A horse, for example, is completely under the domination and will of its master. In the morning it is dressed in its harness, taken out of the stable, hitched up to a wagon and driven from place to place in its owner's service. At noon

a feed bag is put over its face and the afternoon sees the morning work repeated. When five or six o'clock comes the animal is driven back to the stable and tied up for the night. A little grain in the manger, perhaps, and some hay in the rack, then a night's rest completes the story repeated without much variation day after day.

Vision means that we must do long distance thinking. Vision points ahead ten, fifteen, twenty, yes fifty years. We must know what we want to accomplish before we can expect to do anything. We should know where we want to go before we start on a journey. Whether I am an engineer, accountant, lawyer, banker or salesman, success depends upon what my vision, ambitions and desires are. I have talked to successful men in many organizations and have often been told, "Yes, we planned these things years ago and we still keep planning and working."

And speaking of opportunity, we are starting out on a new era of development. America is becoming the manufacturing center of the world. Say what you will about the days of Carnegie and Hill and Harriman, but, after all, they were days of comparatively small promise. America at that time was self-contained, but the years that we are now facing are certain to be years of tremendous growth and activity. America to-day is the richest of the world's nations and to America the entire world is looking for its economic salvation. The next fifty years will eclipse from a business standpoint all the years that lie behind us. The big business of to-day will be a bigger business in five and ten years from now, and the small business of to-day will be a big business in the next decade. Where there was one opportunity fifty years ago, there are fifty opportunities to-day. Will you and I have the vision to play a prominent part in this new America, in this new growth? Will we have the vision and will we mold that vision into a purpose, or will we go on saying that the days of opportunity are gone?

Vision is the compass that unerringly points the way, however thick the fog or dark the night. Purpose is the goal of our desires, the port towards which our vision directs us.

"Where there is no vision, the people perish."

OTTO HERMANN KAHN

THE NEW YORK STOCK EXCHANGE AND PUBLIC OPINION

[Otto Hermann Kahn has been a member of the banking firm of Kuhn, Loeb & Co. since 1897 and has long been distinguished as a director of affairs in the world of music and art, as well as in that of finance. Although he was born in Germany, in 1867, his father was a naturalized American citizen and he himself has passed most of his life in England and the United States. During the World War he was active in both speech and deeds on the side of the Allies and of his adopted country. Since the War, Mr. Kahn has written and spoken widely on the problems of reconstruction and especially those of taxation and finance. The present address was given at the annual dinner of Stock Exchange Brokers in New York January 24, 1917.]

A FEW weeks ago I went to Washington to contradict, as a voluntary witness before a Committee of Congress, under the solemn obligation of my oath, a gross and wanton calumny which, based upon nothing but anonymous and irresponsible gossip, had been uttered regarding my name.

On my way between New York and Washington, thinking that, once on the stand, I might possibly be asked a number of questions more or less within the general scope of the Committee's inquiry, I indulged in a little mental exercise by putting myself through an imaginary examination.

With your permission, I will state a few of these phantom questions and answers:—

QUESTION:

There is a fairly widespread impression that the function of the Stock Exchange should be circumscribed and controlled by some governmental authority; that it needs reforming from without. What have you to say on that subject?

ANSWER:

I need not point out to your Committee the necessity of differentiating between the Stock Exchange as such and those who use the Stock Exchange.



OTTO H. KAHN

Most of the complaints against the Stock Exchange arise from the action of those outside of its organization and over whose conduct it has no control. At times, no doubt, there have been shortcomings and laxity of methods in the administration of the Stock Exchange just as there have been in every other institution administered by human hands and brains. Some things were, if not approved, at least tolerated in the past which are not in accord with the ethical conception of to-day.

The same thing can be said of almost every other institution, even of Congress. Until a few years ago, for instance, the acceptance of campaign contributions from corporations, the acceptance of railroad passes by Congressmen and Senators, were regular practices which did not shock the conscience of either the recipients or the public. Now they are no longer tolerated by public opinion, and have rightly been made illegal.

Ethical conceptions change; the limits of what is morally permissible are drawn tighter. That is the normal process by which civilization moves forward.

The Stock Exchange never has sought to resist the coming of that more exacting standard. On the contrary, in its own sphere it has ever aimed to advance the standard, and it has shown itself ready and willing to introduce better methods whenever experience showed them to be wise or suggestion showed them to be called for.

In its requirements for admission of securities to quotation, in the publicity of its dealings, in the solvency of its members, in its rules regulating their conduct and the enforcement of such rules, the New York Stock Exchange is at least on a par with any other Stock Exchange in the world, and, in fact, more advanced than almost any other.

The outside market "on the curb" could not exist if it were not for the stringency of the requirements in the interest of the public, which the Stock Exchange imposes in respect of the admission of securities to trading within its walls and jurisdiction.

There is no other Stock Exchange in existence in which the public has that control over the execution of orders, which is given to it by the practice—unique to the New York Stock Exchange—of having every single transaction immediately re-

corded when made and publicly announced on the ticker and on the daily transaction sheet.

I am familiar with the Stock Exchanges of London, Berlin and Paris, and I have no hesitation in saying that, on the whole, the New York Stock Exchange is the most efficient and best-conducted organization of its kind in the world.

The recommendations made by the Commission appointed by Governor Hughes some time ago were immediately adopted *in toto* by the Stock Exchange. Certain abuses which were shown to have crept into its system several years ago were at once rectified. From time to time other failings will become apparent (there may be some in existence at this very moment which have escaped its attention), as failings become apparent in every institution, and will have to be met and corrected.

I am satisfied that in cases where public opinion or the proper authorities call attention to shortcomings which may be found to exist in the Stock Exchange practice, or where such may be discovered by the governing body or the membership of the Exchange, prompt correction can be safely relied upon.

Sometimes and in some respects, it is true, outside observers may have a clearer vision than those who are qualified by many years of experience, practice and routine.

If there be any measures which can be shown clearly to be conducive towards the better fulfillment of those purposes which the Stock Exchange is created and intended to serve, I am certain that the membership would not permit themselves to be led or influenced by hide-bound Bourbonism, but would welcome such measures, from whatever quarter they may originate.

QUESTION:

Do I understand you to mean, then, that the Stock Exchange is simply a private institution and as such removed from the control of governmental authorities and of no concern to them?

ANSWER:

I beg your pardon, but that is not the meaning I intended to convey. While the Stock Exchange is in theory a private institution, it fulfills in fact a public function of great national importance. That function is to afford a free and fair, broad

and genuine market for securities and particularly for the tokens of the industrial wealth and enterprises of the country, i. e., stocks and bonds of corporations.

Without such a market, without such a trading and distributing center, wide and active and enterprising, corporate activity could not exist.

If the Stock Exchange were ever to grow unmindful of the public character of its functions and of its national duty, if through inefficiency or for any other reason it should ever become inadequate or untrustworthy to render to the country the services which constitute its *raison d'être*, it would not only be the right, but the duty of the authorities, State or Federal, to step in.

But thus far, I fail to know of any valid reasons to make such action called for.

QUESTION :

You have commenced your first answer with the words, "I need not point out to your Committee." That is a complimentary assumption, but I don't mind telling you that we here are very little acquainted with the working of the Stock Exchange or the affairs of you Wall Street men in general. What about short selling?

ANSWER :

I do not mean to take a "holier than thou" attitude, but personally, I never have sold a share of stock short. Short sellers are born not made. But if there were not people born who sell short, they would almost have to be invented.

Short selling has a legitimate place in the scheme of things economic. It acts as a check on undue optimism, it tends to counteract the danger of an upward runaway market, it supplies a sustaining force in a heavily declining market at times of unexpected shock or panic. It is a valuable element in preventing extremes of advance and decline.

The short seller contracts to deliver at a certain price a certain quantity of stocks which he does not own at the time, but which he expects the course of the market to permit him to buy at a profit. In its essence that is not very different from what every contractor and merchant does when in the usual course of business he undertakes to complete a job or to de-

liver goods without having first secured all of the materials entering into the work or the merchandise.

The practice of short selling has been sanctioned by economists from the first Napoleon's Minister of Finance to Horace White in our day. While at various times laws have been enacted to prohibit that operation, it is a noteworthy fact that in every instance I know of, these laws have been repealed after a short experience of their effects.

I am informed on good authority—though I cannot personally vouch for the correctness of the information—that there is no short selling nowadays in the fairly important Stock Exchange of Tokyo, Japan. You will have seen in the papers that when President Wilson's peace message (or was it the German Chancellor's peace speech?) became known in Tykyo, the Stock Exchange there was thrown into a panic of such violence that it had to close its doors. It attempted to reopen a few days later, but after a short while of trading was again compelled to suspend.

Assuming my information to be correct, we observe here an illuminating instance of cause and effect.

Short selling does become a wrong when and to the extent that the methods and intent of the short seller are wrong. The short seller who goes about like a raging lion (or "bear") seeking whom he may devour; he who deliberately smashes values by dint of manipulation or artificially intensified selling amounting in effect to manipulation, or by causing alarm through spreading untrue reports or unverified rumors of a disturbing character, does wrong and ought to be punished.

Perhaps the Stock Exchange authorities are not always alert enough and thorough enough in running down and punishing deliberate wreckers of values and spreaders of evil omen. Perhaps there are not enough energy and determination in dealing with the grave and dangerous evil of rumor-mongering on the Stock Exchange and in brokers' offices. I need hardly add that the practices to which I have referred are quite as wrong and punishable when they aim at and are applied to the artificial boosting of prices as when the object is the artificial depression of prices.

But after all, as the present investigation shows, even Con-

gress, with the machinery of almost unlimited power at its hand, does not always seem to find it quite easy to hunt the wicked rumor-mongers to their lairs and subject them to adequate punishment. Yet the unwarranted assailing of a man's good name is a more grievous and heinous offence than the assailing, by dint even of false reports, of the market prices of his possessions.

QUESTION:

We hear or read from time to time about the public being fleeced. There is a good deal of smoke. Isn't there some fire?

ANSWER:

If people do get "fleeced," the fault lies mainly with outside promoters or unscrupulous financiers, over whom the Stock Exchange has no effective control. Some people imagine themselves "fleeced," when the real trouble was their own "get-rich-quick" greed in buying highly speculative or unsound securities, or having gone into the market beyond their depth, or when they have exercised poor judgment as to the time of buying and selling. Against these causes I know of no effective remedy, just as there is no way to prevent a man from over-eating or eating what is bad for him.

In saying this, I do not mean to imply that stock-brokers have not a duty in the premises. On the contrary, they have a very distinct and comprehensive duty towards their clients, especially those less familiar with stock market and financial affairs, and towards the public at large. And they have furthermore the duty to abstain from tempting or unduly encouraging people to speculate on margin, especially people of limited means, and from accepting or continuing accounts which are not amply protected by margin.

In respect of the latter requirement, the Stock Exchange rightly increased the stringency of its rules some years ago, and it cannot too sternly set its face against an infringement of those rules or too vigilantly guard against their evasion.

Against unscrupulous promotion and financiering a remedy might be found in a law which should forbid any public dealing in any industrial security (for railroad and public service securities the existing commissions afford ample protection to the

public) unless its introduction is accompanied by a prospectus setting forth every material detail about the company concerned and the security offered, such prospectus to be signed by persons who are to be held responsible at law for any willful omission or misstatement therein.

Such a law would be analogous in its purpose and function to the Pure Food Law. If it went beyond that purpose and function it would be apt to overshoot the mark. The Pure Food Law does not pretend to prescribe how much a man should eat, when he should eat or what is good or bad for him to eat, but it does prescribe that the ingredients of what is sold to him as food must be honestly and publicly stated. The same principle should prevail in the matter of the offering and sale of securities.

If a drug contains water, the quantity or proportion must be shown on the label, so that a man cannot sell you a bottle filled with water when you think you are buying a tonic. In the same way the proportion of water in a stock issue should be plainly and publicly shown.

The purchaser should not be permitted to be under the impression that he is buying a share in tangible assets when, as a matter of fact, he is buying expectations, earning capacity or good will. These may be, and often are, very valuable elements, but the purchaser ought to be enabled to judge as to that with the facts plainly and clearly before him.

The main evil of watered stock lies not in the presence of water, but in the concealment or coloring of that liquid. Notwithstanding the unenviable reputation which the popular view attaches to watered stock, there are distinctly two sides to that question, always provided that the strictest and fullest publicity is given to all pertinent facts concerning the creation and nature of the stock.

QUESTION:

Is it not a fact that some of the "big men" get together from time to time and determine to put the market up or down so as to catch profits going and coming?

ANSWER:

As to "big men" meeting to determine the course of the stock market, that is one of those legends and superstitions hard to kill, inherited from olden days many years ago when conditions

were totally different from what they are now, and when the scale of things and morals, too, was different.

The fluctuations of the stock market represent the views, the judgment and the conditions of many thousands of people all over the country, and indeed, in normal times, all over the world.

The current which sends market prices up or down is far stronger than any man or combination of men. It would sweep any man or men aside like driftwood if they stood in its way or attempted to deflect it.

True, men sometimes discern the approach of that current from afar off and back their judgment singly, or a few of them together, as to its time and effect. They may hasten a little the advent of that current, they may a little intensify its effect, but they have not the power to either loosen it or stop it.

If by the term "big men" you mean bankers, let me add that a genuine banker has very little time and, generally speaking, equally little inclination to speculate, and that his very training and occupation unfit him to be a successful speculator.

The banker's training is to judge intrinsic values, his outlook must be broad and comprehensive, his plans must take account of the longer future. The speculator's business is to discern and take advantage of immediate situations, his outlook is for to-morrow, or anyhow for the early future; he must indeed be able at times to disregard intrinsic values.

The temperamental and mental qualifications of the banker and the speculator are fundamentally conflicting, and it hardly ever happens that these qualifications are successfully combined in one and the same person. The banker as a stock market factor is vastly and strangely overestimated, even by the Stock Exchange fraternity itself.

May I add that a sharp line of demarcation exists between the speculator and the gambler? The former has a useful and probably a necessary function, the latter is a parasite and a nuisance. He is only tolerated because no means have been found thus far to abolish him without at the same time doing damage to elements the preservation of which is of greater importance than the obliteration of the gambler.

By this time the Committee would surely feel that it had had a surfeit of my wisdom, as I am sure you must feel, but if you will be indulgent a very little while longer, I should like to say a few words more to you whose guest I have the honor to be this evening.

My recent observation of and contact with Congressmen and others in Washington have once more fortified my belief that the men, by and large, whom the country sends to Washington to represent it, desire and are endeavoring, honestly and painstakingly, to do their duty according to their light and conscience, and that, making reasonable allowance for the element of party considerations, they represent very fairly the views and sentiments of the Average American. Most of them are men in moderate circumstances. Very few of them have had occasion to familiarize themselves with the laws, the history and the functionings of finance and trade, to come into relation to the big business affairs of the country, or to compare views with its active business men.

It may be assumed that, very naturally, not a few of them have failed to come to a full recognition of the facts that the mighty pioneer period of America's industrial development came definitely to an end a dozen years ago; that with it came to an end practices and methods and ethical conceptions, which in the midst of the towering achievements of that turbulent period of over-intensive, over-rapid development were, if not permitted, yet to an extent silently tolerated, and that business has willingly fallen into line and kept in line with the reforms which were called for in business as in other walks of our national life.

The opinions of the world, and particularly of the political world, travel along well-worn roads. Men are reluctant to go to the effort of reconsidering viewpoints and conclusions which, by tradition or mental habit, have become fixed.

Many in and out of Congress are still under the controlling impress of the stormy years when certain deplorable occurrences affecting corporations and business men were brought to light; when it was demonstrated that certain abuses which had accumulated during well-nigh two generations needed to be done away with for good and all, and when the people went through the ancient edifice of business with the vacuum-cleaner

of reform and regulation, using it very thoroughly—perhaps, in spots, a little too thoroughly.

Not a few politicians are still sounding the old battle cry, although the battle of the people for the regulation and supervision of corporations was fought to a finish years ago and was won by the people, and although the people themselves of late, on the few occasions when a direct proposition has been put up to them, such as recently in Missouri, have indicated that they consider the punitive and probationary period at an end and want business to have a fair chance and a square deal.

When the right of suffrage was thrown open to the masses of people in England, a great Englishman said: "Now we must educate our masters." In this country it is not so much a question of educating our masters, the people and the people's representatives (who, moreover, would resent and refuse to tolerate for a moment any such patronizing assumption), as of getting them to know us and getting ourselves to know them.

All parties concerned will benefit from coming into closer contact with one another and becoming acquainted with one another's viewpoints.

Can we honestly say that we are doing our full share to bring about such contact and to get ourselves, and what we believe in, properly understood; believe in, not only because it happens to be our job in life and our self-interest, but because in the general scheme of things it serves a legitimate and useful and necessary function for our country?

How many of us have taken the trouble to seek the personal acquaintance of the Congressmen or Assemblymen or State Senators representing our respective districts? How many of us make an effort to come into personal relationship with people, both here and in the West and South, outside our accustomed circles? Yet an ounce of personal relationship and personal talk is worth many pounds of speech-making and publicity propaganda.

When you look a man in the face and talk to him and question him and realize in the end that he is sincere in his viewpoint, whether you share it or not, and that he is made of the same human stuff as you, much animosity, many preconceived notions are apt to vanish, and you are not so cocksure any

longer that the other fellow is a destructive devil of radicalism or a bloated devil of capitalism, as the case may be.

I recall in this connection an incident which concerns my great friend, the late E. H. Harriman. He talked to me about his wish to be elected to a certain railroad board. I said: "I don't really see what use that would be to you. You would be one of fifteen men, of whom presumably fourteen would be against you." He answered: "I know that, but all the opportunity I ever want is to be one of fifteen men around a table."

And the result has shown that that was all the opportunity he needed.

We cannot all have the conquering genius and force of a Harriman, but every one of us, in a greater or lesser degree, every one in some degree has the power of coöperating in the vastly important task of personal propaganda for a better understanding, a juster appreciation of each other, between East and West and North and South, between what is termed Wall Street and the men who make our laws, between business and the people.

This is the age of publicity, whether we like it or not. Democracy is inquisitive and won't take things for granted. It will not be satisfied with dignified silence, still less with resentful silence.

Business and business men must come out of their old-time seclusion, they must vindicate their usefulness, they must prove their title, they must claim and defend their rights and stand up for their convictions. Nor will business or the dignity of business men be harmed in the process.

No healthy organism is hurt by exposure to the open air.

Democracy wants "to be shown." It is no longer sufficient for the successful man to claim that he has won his place by hard work, energy, foresight and integrity.

Democracy insists rightly that a part of every man's ability belongs to the community. Democracy watches more and more carefully from year to year what use is being made of the rewards which are bestowed upon material success, and particularly whether the power which goes with success is used wisely and well, with due sense of responsibility and self-restraint, with due regard for the interests of the community.

And if the consensus of enlightened public opinion should come to conclude that on the whole it is not so used, the people will find means to limit those rewards and to curtail that power. And what is true of the public attitude towards individuals holds good equally of its attitude towards organizations such as the Stock Exchange.

It is of great and urgent importance that the Stock Exchange should leave nothing undone to get itself better and more correctly understood. It should not only not avoid the fullest publicity and scrutiny, but it should welcome and seek them.

It has nothing to hide, and it should be glad to show that it has nothing to hide. It should miss no opportunity to explain patiently and in good temper what it is and stands for, to correct misunderstandings and erroneous conception. If it is attacked from any quarter deserving of attention, it should go to the trouble of defending itself. If it is made the object of calumny, it should contradict and confound the slanderer.

Its members should ever remember that while in theory the Stock Exchange is merely a market for the buying and selling of securities, actually they constitute a national institution of great importance and great power for good or ill.

They are officers of the court of commerce in the same sense in which lawyers are officers of the court of law. They should not be satisfied with things as they find them. They should not take the way of least resistance, but should ever seek to broaden their own outlook and extend the field and scope of the Stock Exchange's activities.

One of the reasons for London's financial world position is that its Stock Exchange affords a market for all kinds of securities of all kinds of countries. The English Stockbroker's outlook and general or detailed information range over the entire inhabited globe. It is largely through him that the investing or speculative public is kept advised as to opportunities for placing funds in foreign countries. He is an active and valuable force in gathering and spreading information and in enlisting British capital on its world-wide mission.

The viewpoint of the average American investor is as yet rather a narrow one. Investment in foreign countries is not much to his liking. The regions too far removed from Broadway do not greatly appeal to him as fields for financial fructi-

fication. Yet, if America is to avail herself fully of the opportunities for her trade which the world offers, she must be prepared to open her markets to foreign securities, both bonds and stocks. If America aspires to an economic world position similar to England's, she must have among other things financial (such as, first of all, a discount market) a market for foreign securities.

As Mr. Vanderlip so well said in a recent speech: "Never did a nation have flung at it so many gifts of opportunity, such inspiration for achievement. We are like the heir of an enormously wealthy father. None too well trained, none too experienced, with the pleasure-loving qualities of youth, we have suddenly, by a world tragedy, been made heir to the greatest estate of opportunity that imagination ever pictured."

America is in a period which for good or ill is a turning-point in her history. To perform with credit and honor, with benefit to itself and to the world the part which the favor of Providence has allotted to this country, is a weighty and solemn task. Our duty and responsibility are as great as our opportunity. Shall we rise to its full potentiality, both in a material and in a moral sense?

The words of an English poet come to my mind:

"We've sailed wherever ships can sail,
We've founded many a mighty state,
God grant our greatness may not stale
Through craven fear of being great"

It is not "craven fear" that will prevent us from attaining the summit of the greatness which it is open to America to reach, for fear has never kept back Americans—any more than Englishmen—and never will.

Indifference, slackness and sloth, lack of breadth and depth in thought and planning; the softening of our fibre through easy prosperity and luxury; unwise and hampering laws, inadequacy of vision and of purposeful, determined effort, individual and national—those are some of the things that we have to guard against.

God grant America may not fail to grasp and hold that greatness which lies at her hand!



DARWIN P. KINGSLEY

DARWIN PEARL KINGSLEY

IN HONOR OF CHARLES M. SCHWAB

[Darwin P. Kingsley has been President of the New York Life Insurance Co. since 1907. Born at Alberg, Vt., in 1857, he graduated from the University of Vermont in 1881; spent some years in Colorado where he was State Auditor, 1887-8, and then came back to New York in the service of the great insurance company of which he is now the head. Mr. Kingsley has long been known as a speaker of force and quality, and his addresses on various occasions have been notable contributions to the discussion of public affairs. He gave this address, as President of the Chamber of Commerce, at a special meeting in honor of Charles M. Schwab, April 28, 1921.]

MR. SCHWAB, GUESTS AND MEMBERS:—In the 153 years of the life of this Chamber of Commerce, its members have met rarely for a purpose such as finds expression in this meeting. Since its first dinner, in 1769, the Chamber has paid particular honors to private men on only four occasions: It gave a dinner to Cyrus W. Field, in 1866; a dinner and reception to A. A. Low, in 1867; a reception to Hugh H. Hanna, in 1900, and it presented a gold medal, at one of the regular monthly meetings of the Chamber to Abraham S. Hewitt, in 1901. The Chamber has never been prodigal in its testimonials to private men.

We meet to-day to honor a plain but truly distinguished American citizen. [Applause.] I add to the character of our tribute when I say that the meeting itself is a declaration that established character is the very fundamental of society [applause]; that it is something so valuable to the community at large that it ought to be defended by all men at all times against attacks of ignorance or prejudice or suspicion, or what not. The assumptions and presumptions ought to be always in its favor. In other words, to-day we honor a man, and we reassert a principle—a principle vital to social progress and vital to business stability.

I emphasize the principle, because but for the attacks of prejudice and ignorance, this meeting might not have been held. That, perhaps, is not particularly to the credit of the Chamber, but it is true, nevertheless.

In essence, the services to the country rendered by our guest of honor to-day, Mr. Charles M. Schwab, were no finer, no more unselfish, than the services rendered by thousands of men and women whose very names are unknown. His services were distinguished for their brilliancy, for their effectiveness, for their extent; but all that might not have inspired this meeting.

When, however, this patriot, this leader, was maligned, when he was assaulted in the very citadel of his life, when men sought to show that, under the guise of patriotic service, he had resorted to questionable practices, a burning indignation burst over the membership of this Chamber. [Applause.] Because of his established character, we denounced the allegation as a slander, and the famous "voucher" on which it rested as either mistaken or mischievous. Every man here felt that, in some fashion, his own character and his own reputation were under assault.

Republics are sometimes ungrateful. We play the game very hard in this city and in this nation; but, as business men, we never forget that the basis of commerce is business honor, that the idea for which this Chamber has stood, and on which it has stood for 153 years, is established character, that the foundation of all business and all society is the integrity of men. Sometimes men break, sometimes they are criminally careless, sometimes they are dishonest; but, in the aggregate of the business in a year in this city and nation, these elements are so small as to be substantially negligible. Our guest of honor was flung into the heart of the World War long before our country was drawn in. He was known as a great executive, as a man who could do things; he was at the head of a great plant capable of turning out the weapons and munitions of war. Great Britain sought his services; he responded, and, in the construction of submarines he literally worked miracles, and did the impossible. Germany, appreciating that, through her chief spy in the United States—called, in those days, an "Ambassador" [laughter and applause]—tried to stop him; and

then, realizing that she could not stop him, she, indirectly, in order to stop him, tried to buy him. She offered him for himself, if he would break his contracts with Lord Kitchener, \$100,000,000. England, who was, of course, as much interested that the contracts should be kept, as was Germany that they should be broken, countered with another proposition, in which she offered him \$150,000,000. Mr. Schwab laughed and said that the British Empire and the German Empire together did not have enough money to make him break faith with Lord Kitchener. [Applause.]

The recital of such incidents makes the story of Aladdin and his Wonderful Lamp sound like the reminiscences of a mere piker. [Applause.]

Then, we went into the war, and our Government called on Mr. Schwab for his services, and he immediately put everything he had at the Government's command. At the instance of the President he was made Chairman of the Emergency Fleet Corporation, and what miracles he wrought there nobody but he, himself, fully knows. He spent our money [laughter]—oh, yes, he spent our money; but he did the one thing that was then of supreme importance, the one thing we wanted done, the one thing that, just then, could save the world—he built ships [applause]; and so great did he speed up efficiency that the American destroyer "Reed" was finished in 45 days, a 12,000 ton freighter was launched within 24 hours from the laying of the keel, and inside of eleven months America launched 4,000,000 tons of ships. And then came the armistice, and the day of the peanut mind. [Laughter and applause.] Then arose men who tried to show publicly that this colossus among men, this man whose sense of honor was so fine that when, in the service of others, he had refused colossal bribes, when in the service of his own country had yielded to petty temptation.

Mr. Schwab, the Chamber has placed at the top of this bronze tablet, which I am instructed in their behalf to present to you, words uttered by one Iachimo, a character in Shakespeare's play, "Cymbeline." The words are:

"Here's a voucher stronger than ever law could make."
[Applause.]

The pertinence of these words to some of your recent experiences is obvious. [Laughter.] They appropriately intro-

duce the text of the tablet itself. Iachimo was a great scoundrel; he sought to destroy the reputation of a chaste and lovely lady, and to do that, set about manufacturing evidence which, on its face, would be conclusive, but, of course, false. When he thought he had that evidence, he used the words I have quoted. The great dramatist makes all men know, as they see Iachimo weave his web of lies, that they must, at all times and under all circumstances, defend the innocence of Imogen—the innocence which she personifies—as they would their own lives. The same dramatic impulse has led this Chamber to place this quotation at the head of this tablet, not only in honor of you, sir, but in order to defend themselves and their own reputations and their own characters against the aspersions of the Iachimos of business and politics. [Applause.]

The text of the tablet itself, following the quotation, reads in this wise:

“The Chamber of Commerce of the State of New York to Charles M. Schwab, in appreciation of his services to the Republic, 1917-18, during the World War, Presented at a Special Meeting in the Great Hall of the Chamber, April 28, 1921.”

In these words the Chamber expresses its gratitude, Mr. Schwab; but the words do not convey all that is in our hearts. The tablet is “a voucher stronger than ever law could make” for other reasons than the mere verbiage of the text. Iachimo failed; he failed because his evidence, incontrovertable on its face, was, nevertheless, false. The men who produced the voucher by which you were to be damned failed because the voucher failed. The letter of the law is not enough; innocence has been damned by its processes. This “voucher,” written in bronze, goes beyond the letter of the law. It says, largely through its dramatic introduction, that there are things in life so precious that all men must defend them at all times—such, for example, as a woman’s chastity, a man’s character, a man’s reputation. It says, in its dramatic introduction, in its text, and especially in the spirit of the men who gave it, that even in these supposedly degenerate days, the American mind has not lost its critical faculty, and the American heart drives through American blood that is red, and not yellow. [Applause.]

Mr. Schwab, this is your final voucher; the books are closed. It is the Chamber’s tribute to you, the Chamber’s tribute to the

very fundamentals of business. It is stronger than the law because it is the deliberate judgment of serious-minded men—a judgment which at once vindicates you and re-affirms and re-asserts the eternal verities which underlie and support all law. [Prolonged applause.]

Gentlemen, your guest of honor, Mr. Charles M. Schwab. [Applause].

JOHN KIRBY, JR.

LABOR AND LEGISLATION

[John Kirby, Jr., was born in Troy, N. Y., in 1850. At the age of twelve he began work in the stove manufactory in Waterford. He has kept busy ever since. He was member of the executive committee of the Canadian Car and Foundry Co. which in 1915 executed contracts with the Russian Government for making ammunition amounting to \$83,000,000. He was general manager of the Dayton Manufacturing Co. from 1883 to 1917, and was then made president. He is an inventor as well as a capitalist. He has been president of many civic and business associations, and a leader in many great commercial undertakings. He has been a vigorous spokesman of the manufacturers of this country on many occasions. This address was his valedictory as president of the National Association of Manufacturers and was delivered at the convention in Detroit, May 20, 1913.]

GENTLEMEN OF THE CONVENTION :—My greeting to you to-day is a valedictory. Four years ago the mantle of the presidency devolved upon my shoulders from my gallant and honorable predecessor, the late James W. Van Cleve. I assumed the title of your chief executive officer, conscious of the work that was before me and desirous of discharging, to the fullest extent of my capacity, the important duties of this high office.

During the past four years I have tried my best to represent you, to advance the principles for which you stand, and develop the activities in which our organization is so earnestly engaged. It is not for me to appraise the work I have tried to accomplish; nor, indeed, am I especially interested in any such appraisal.

[After discussing events and legislation of his term of office, Mr. Kirby continued.]

OUR ATTITUDE TOWARD LABOR LEGISLATION

Often our attitude has been misconstrued in the matter of labor legislation. Our activities in the matter of workmen's compensation corroborates our desire for beneficial and con-

structive legislation in the field of sane industrial betterment.

Our Association was among the first, if not the first, to actively engage, by research in Europe, in the collection of carefully gathered and certified data upon which to formulate certain operating principles whereon to construct equitable and enlightened legislation, designed to yield adequate compensation to workmen injured in the course of their employment.

We believe steadfastly in the principle that a workingman, if injured, should be compensated promptly, equitably and generously.

The ghastly waste of money under the former procedure, whereby an injured workingman was only too often compelled to seek his proper compensation for injury, in a court of law, will soon be a relic of the social and legal past.

We have appropriated large sums of money to spread the gospel, both to workingmen and employers, of the necessity for adequate compensation legislation and the installation of the most efficient devices to prevent accidents. We have appointed committees to investigate better means to prevent fires in factories. We earnestly favor legislation honestly intended to perfect a uniform and scientific system of factory inspection. Indeed, we have not been and must not be slow to recognize the value of superior physical conditions for all employment. I announce these views to refute misguided and often malicious criticism directed against us on the ground that we are indifferent to the elevation of the standard of living and working of employees. Such criticisms are utterly unfounded and willfully untrue.

WHAT WE OPPOSE

But we have opposed and shall continue to oppose the enactment by Congress and state legislatures of several species of particularly pernicious legislation which we believe to be fundamentally wrong, intrinsically unwise and dangerous to our entire system of government. It is needless for me to state that the legislation we have so constantly fought relates to the insistent and subtle attempt by the American Federation of Labor to strip our courts of equity of certain vested and inherent powers in the matter of the issuance of injunctions in labor disputes. We do not oppose remedial legislation with refer-

ence to procedure affecting equity practice. We accept the new series of rules promulgated by the United States Supreme Court, declaratory of the procedure incident to the issuance of injunctions in labor disputes. What we precisely oppose, however, relates to a deeper and more sinister attempt to strip from the inherent power of the courts of equity the right of issuance of injunctions where such disputes have arisen.

We have seen the effect of the legislation, similar to what the labor unions want, enacted by Parliament. We have seen employers in England practically deprived of all protection by judicial process in the matter of violent trade union disputes. We have seen the great industrial fabric of England, in the chaos of a strike or dispute, compelled to resort to personal supplication to the Prime Minister for assurance of protection to life and property. We have witnessed the supremacy of the powers of the House of Parliament in denying to the English courts of equities the powers which in this country are now sought to be stricken from our courts.

We view this persistent attempt with well-founded anxiety and alarm. The persistency of the attempt is a measure of the ultimate determination of the proponents of such iniquitous legislation.

The record of the issuance of injunctions in labor disputes in this country does not warrant the interferences faultily drawn therefrom by the advocates of such legislation. I challenge contradiction in stating that in one or two cases only have any of our judges of the federal courts, or indeed of the state courts, issued injunctions restraining the commission of actual lawlessness except after the most diligent scrutiny of the moving affidavits, the most careful examination of the merits of the application, and the inherent justice of the relief sought. Thus far the advocates of this dangerous and revolutionary legislation, vitally affecting our judiciary, have failed to effectuate their demands. Their failure to accomplish their ends is due principally to the manifest vigilance on the part of civic and industrial organizations who consider it a duty to forestall and defeat such specious legislation. For the past ten years the National Association of Manufacturers, in conjunction with the National Council for Industrial Defense, has led this valiant fight.

A handmaid of anti-injunction legislation sought by the American Federation of Labor is the still more nefarious proposal of limiting, by statute, the inherent power of a court to punish for contempt except by trial before a jury. Again we witness the dangerous process involved in this perverted and inverted demand. We have fought and shall continue to fight relentlessly against such dangerous proposals.

All sorts of laws are proposed and advocated for the settlement of labor controversies. Gentlemen, we already have more such laws than are to our credit. Why have one set of laws for labor controversies and another set for other disputes?

The kernel of the whole problem lies in the cowardly toleration of defiance of law. And if we enact laws which shall be to the liking of a particular set of men and injurious to all others we simply admit the impotency of our Government to protect its citizens against the assaults of their neighbors.

Let the whole army and navy be brought into action if necessary to squelch the rebellion that springs into existence with every strike, and once protection against lawless defiance of the rights of peaceable citizens is thus assured, labor disputes will become business problems which will be adjusted upon the same principle as all other business questions, and without the enactment of special laws which merely declare the impotency of the Government to protect its citizens against anarchy or rebellion.

DIVERGENT PATHS

In relinquishing the reins of administration as your President, I would most earnestly leave with you a few thoughts concerning what I conceive to be the unswerving obligation of our Association with respect to our industrial outlook. It may be that my advice falls within the somewhat vague category of conservatism.

The people of this country are confronted with two divergent paths, one of which seeks to remedy existing social and economic ills by hasty, ill-digested, short routes, to a millenium of perfection. This classification comprises many benevolent-minded persons—honest men and women sincerely dedicated to the realization of the uplift of humanity—persons believing fundamental guarantees of constitutional liberty should be sub-

ordinated to some slight-of-hand methods by which the body social and politic may be transferred into an instantaneous Garden of Eden; wherein the serpent of error shall not abide; where the lion and the lamb may rest secure beneath the shade of palm-trees, while the waters of universal tranquility follow their silver channels to the music of archangels, and while the celestial choir renders saintly music. This heavenly vision I would not impair. Rather would I encourage the rapture of its contemplation.

The other school, plainly described as the conservative, is just as anxious for the millenium as the impatient or radical school. They believe just as strongly in justice, equity, equality; have just as high ideals, and believe just as strongly in evolutionary tendencies; are just as solicitous for the welfare of humanity as our other hurrying brethren. The difference consists largely in the rate of speed and method to be pursued. The radicalism of the day is impatient of a self-controlled democracy, scoffs at the basic principles of constitutional limitations; would make the legislature equivalent to a continuously existing constitutional convention; would usher in the millenium when it is only half dressed.

In fact, the atmosphere is literally charged with all sorts of old but revised fads and fancies. The politician, the uplifter, the pulpit and the press are all as busy as bees reforming everybody and every conceivable activity of life, through legislation, without heed or attention to the natural law of economics or the experience of ages.

Women agitators are again abroad in the land re-sowing seeds of discontent among contented mothers, sisters and daughters whom they would segregate from the natural and higher plane of womanhood and make of them political enthusiasts and ward heelers.

Women are to be made virtuous by the enactment of minimum wage laws—tried and abandoned as failures in numerous instances since as far back as 400 years. Minimum wage laws will neither create nor maintain virtue, but as sure as two and two make four they will level downward the standard of wages and with it the standard of living and of business.

Many people seem possessed with the notion that our industrial and social conditions, which are based upon thousands of

years of experience and development, are all wrong and that to our already overabundance of laws we should add a few thousand more to right them. These laws are coming along in "fine shape" and out of them all we may expect a combination of statutory laws by which a man can legally lift himself over a fence by pulling upon his boot straps.

Constitutions which protect the weak against the strong, the minority against the oppression of the majority, and which guarantee equality before the law, are designated as relics of antiquity, no longer to be considered as essential to the welfare of the people of this progressive age, and he who dares to assume that they are is a reactionary to be relegated to the rear.

This is said to be a progressive age, which is true, but progression does not necessarily mean forward, it may be backward, and much of the present alleged progressive clamor is in that direction. The term "progressive" is a popular slogan, and practically everything that suggests a change from existing conditions comes within its meaning. Therefore, everybody who thinks, or thinks he thinks, there should, on general principles, be a change is a "progressive."

The conservative school would seek out substantial reform in accordance with the procedure of government ordained by our form of republican institutions. I believe in the ultimate validity of such procedure. I do not believe that emotionalism is a sound guide to permanent improvement in our body politic. Any fantastic deduction can be drawn from a given premise.

The minimum wage as a rate for industrial payment is a catching slogan, and the dreamy-eyed socialist and excited emotionalist loudly declare the minimum wage the Utopia for industrial ills. Its economic fallacy is so obvious to thinking men that I need not presume to demonstrate its error, yet the utterly illogical and irrational attitude of the benevolent enthusiast would institute a minimum wage and claim for it all kinds of curative values. I would point to the demand for the recall of judiciary decisions, a demand, however, which seems to increase in volume immediately prior to election time, to promptly subside after the fireworks of political oratory are over.

The constant quest for novelty in government, this restless research for change in tested procedure, this oblique angle for instantaneous betterment of all things, this government by emo-

tionalism, has resulted in a prevailing spirit of discontent and covetousness and explains in large part the increasing prominence and power of the entire socialistic propaganda.

Fantastic and grotesque legislation in our country has become a fetish. Laws are enacted literally by the thousands, and the very magnitude of the output diminishes the value and purpose of the laws themselves.

The present socialistic demands represent a stampede of ages, they indicate the quaking of society under our feet. There is a persistent struggle and determination to find some substitute for thrift, economy and work as the pathway to an easy goal, and the same struggle has been going on since the beginning of time, without apparent evidence of success. It will continue so long as human nature is human nature and one man possesses more than another. But should the time ever come when all men's possessions are equal, then will all people be reduced to the level of the savage.

If some of the dead statesmen who have been instrumental in building up this great nation could know what is taking place now, their earthly resting places would tremble with their lamentations.

We must guard well the sacred temple of our institutions.

Emphatically must we insist upon the preservation of the structure of government handed down as a cherished tradition. Never must we forget that government under our Constitution is adequate to express the real needs of our people, and that once we cut the gordian knot our course will be toward chaos and uncertainty.

Always shall we insist that we are a self-controlled democracy; that such control is vested in the checks and balances of our executive, judicial and legislative departments of government. Never must we yield to special privilege, to special rights, to special legislation. Always must we remember that every man, woman and child in our fair land is within the citadel of protection of our laws and institutions.

The sanctity of property must not be invaded. The inherent nobility of the right to labor must never be impaired.

The fundamental privilege of a citizen to follow a lawful calling, without molestation, must never be abandoned.

The integrity of our courts must be absolutely maintained.

A WORLD MOVEMENT OF STRANGE FORCES

But, gentlemen, the industrial disorders, to which I have of necessity briefly alluded, are not confined to our own country. A world movement exists, of which our problems are but symptomatic. Strange forces are active towards recognizing society by quick action and doubtful methods.

In France has originated the *Syndicat*, with its daring program of a world combination of labor, designed to dominate all industry and bring about a subversion of established order by the direct use of force, inspired by new doctrines of dangerous philosophy and riotous socialism.

In England dominant trades-unionism extends its force through a supreme ministry and an acquiescent Parliament.

In Germany defiant socialism extends its representation in the *Reichstag* and gains annual accessions to its already vast power.

Supplemental to the American Federation of Labor and as a dividend from these European sources we got the Industrial Workers of the World, with their wild cry of "No God, No Country," alert to commit instant crimes under the pretext of fancied wrongs, blind to all restraint of law and order, reckless in revolutionary speech, oblivious to all consequences of conduct, and bent upon an errand of ruthless destruction, fanned by the heat of torch and bomb.

Against these forces of evil, domestic and alien, we must stand flintlike in our resolve that our Government is and must be a government of law.

The issue is fearfully plain to all whose eyes are not closed

Law or lawlessness, order or chaos, sanctity or profanity of life, stability or instability of property, security or insecurity of government, authority or anarchy?

We all know that society is not perfectly organized, and we all know, or at least we ought to know, that it never can reach that degree of perfection wherein the ideals of all of its component parts will agree that it is perfect. There will always be room for improvement, but change does not necessarily mean improvement. Reform, when demonstrated to be rational reform, should receive the hearty endorsement and coöperation of all worthy people. But change, in the mere guise of reform

and lacking in evidence that it is what it purports to be, should be let severely alone, lest it "kick back."

We should be sure that we are right, and then go ahead, and that is exactly what those who are proudly calling themselves "progressives" are not doing.

The truth of the matter is, reform is needed in the people themselves more than in legislation and we will not get very far in reforming society until this fact is generally recognized and reform in the individual is manifest.

DRIFTING TOWARD THE DANGER LINE

Under our system of government, based upon equal protection under the law and safe-guarding of every individual in the right to acquire property and in the right to seize and utilize legitimate opportunity, a great and prosperous nation has grown up. Millions of individuals by the mixture of gray matter with labor and opportunity have acquired wealth, many of them great wealth, in the doing of which they have opened up opportunities for others to do the same, while people of all classes and conditions have shared in the general prosperity and enjoyed a higher standard of living than could otherwise have been possible.

But during it all the influence of business men in politics has been largely wasted, because of neglect of their civic responsibilities, and because of their indifference to the need of concrete, well-directed organization to cope with the organized forces that are constantly at work combatting the traditions which form the basis of our progress and development, and which have loosened the old ship of state from her moorings and we now witness her drifting rapidly toward the danger line into the rocks and shoals which threaten the nation's destruction.

Political demagogues and adventurers have seized the slogan, "Let the people rule," and by a divided business vote and influence they manage to carry the day.

As I have indicated, this country appears to be in a state of transition. A few professional agitators, augmented by a great number of visionary sympathizers, who, in their goodness of heart, lose sight of and forget the experiences of all the past ages, have set out to revolutionize society, and leg-

islate contentment and satisfaction into the minds of all discordant elements. Without counting the cost, they are advocating laws the effect of which to the well-balanced mind can only add to the discontent already prevalent.

Human nature cannot be changed by legislation nor can the laws of man controvert the laws of nature.

Laws may be enacted which in their operation will handicap and annoy those upon whom the world must depend for its development, but this cannot be done without affecting most those whom such legislation is intended to benefit. The result can only be to pull all people down to a lower level.

To trifle and experiment with the fundamental principles of equal opportunity and protection under the law, upon which our form of government rests and upon which it must continue to rest if we are to develop in the future as we have in the past, is an irrational proposition and the quicker the good sense of the American people asserts itself and puts a stop to the idiotic acts of our state and federal legislators in enacting laws which mean ruin to the 75% or 80% of our business people who are struggling to keep the receiver away from their business, the more progress we will make in the uplift of humanity.

If those who would tear to pieces the splendid Government under which we live, would pause to contemplate its blessings they would not antagonize it as they do. It is the outgrowth of centuries of experience. Brains were its architects and when, if ever, it needs remodeling, brains, and not sentiment, or popular clamor, should direct the changes. Yet how quickly a few noisy agitators, augmented by maudlin sentimentalists, political adventurers and ruthless muckrakers, can put out of commission the great principles which lie at the bottom of all our prosperity, kill the germ that stimulates energy and frugality and reverse the course which we have followed so long and so successfully.

The rankest agitator or the least useful man to society can produce one blade of grass where two grew before, but it takes a man of brains and intelligence to cause to be grown two blades of grass where but one grew before, and these are the kind of men we should center our minds upon to

represent us in public affairs. When we see to this and silence the clamor of the faddists and emotionalists who are disturbing the nation's equilibrium, our country will go forward as never before and its future be brighter than ever. But, if the combination of socialistic agitators, crooked politicians and emotionalists continue their crusade against the established order of society they will injure and discourage American industries and cripple its commerce until the masses of our people are reduced to the level of poverty-stricken peons.

Conservation of the country's natural resources is one of the live problems of the day, and it is no less important than it is live.

The people throughout the country are turning their attention to the great and growing necessity of stopping the ruinous dissipation of resources, the increasing need of which for future requirements is already being realized.

It is of the greatest importance that the forests, the streams and the mineral lands which belong to the Government should be safe-guarded against usurpation by private parties and exploitation for their own selfish purposes and that they be preserved for the future needs of the nation. This, however, does not mean that they should be fenced in against uses that do not impair their future values to the whole people, but that they should be protected against devastation and spoils already overindulged in. Such uses as may tend to enhance the general welfare of the people of this age and generation without affecting the future values of such resources should, through proper permission and regulation, be freely allowed. To this end, the Government should pursue a liberal and practical policy, rather than one of "dog in the manger" which assigns to ruthless waste natural products, which under the more generous policy would make them available for the needs of the people, and yet guard them against the permanent and monopolistic control of speculators. For example, the Government owns millions of acres of grazing land upon which hundreds of thousands of heads of stock have been yearly raised and fattened for market, with but little expense other than the cost of herding. The withdrawing of these herding privileges means yearly waste of the natural products of these lands

and hence increased price of meat products, which stock raisers assign, as the chief cause for the advanced prices of such products, but which has universally been laid at the door of a meat trust.

But, while the people are showing a deep interest in the matter of conserving the nation's natural resources, they have not yet fully realized the much greater necessity of conserving the principles upon which this great nation has been reared and upon which its future destiny and welfare depend.

These principles the people are neglecting to defend against the elements in our body politic which seeks to overthrow and destroy them.

The masses of our people who are sane enough to realize the importance of conserving our natural resources are too busy or too blind to see what is going on around them all the time, tending toward the destruction of our free institutions and orderly government. They are altogether too indifferent about the way in which their representatives treat these grave questions in the light of "political expediency," or, in other words, it is their lethargy and indifference that creates political cowards and makes politicians traitors to the country's best interests. This fact has nowhere been better demonstrated than in the elections which resulted in tearing to pieces the constitution under which the state of Ohio developed to its present greatness, and which for 60 years served as a guidepost by which the people of that grand old state prospered and were happy. They rested content in its organic law, which gave them security in the protection of property, as well as in the right to acquire property, but which security is now dependent upon the passing whims of the legislature.

Less than 28% of the registered voters of the state voted for the delegates to the Constitutional Convention, and less than 42% participated in the special election at which 41 amendments to the Constitution were submitted to the electorate of the state to vote upon. The result of this apathy and indifference on the part of a majority of the voters of Ohio was the adoption, by a minority vote, of a constitution which was framed and submitted by an organized minority of the people of the state.

CRUSADE AGAINST RAILROADS

For a number of years there has waged a wild crusade against the railroads, the bone and sinew of our national development, until they are now so handicapped by federal and state legislation, enacted and proposed, that a very large proportion of the time and brains of railroad managers must necessarily be diverted from the natural business management of the properties and devoted to endeavor to operate them in conformity with many unjust and burdensome laws. Moreover, the cost of operation has been greatly augmented by the heavy expense involved in the payment of salaries and wages which yield no return other than the compiling of statistics and the making of reports to satisfy radical and unnecessary laws imposed upon them by the federal government and the various states in which the roads operate.

To what three causes more than others can we most attribute the development and building up of this great and prosperous nation of ours?

First, its great natural resources; second, the fundamental principles upon which the government was founded, giving security and opportunity to all alike; and, third, its railroads.

Why, then, should we throw stones at or shoot holes in those things which have made us prosperous and great, and which we must encourage and protect if we are to continue to develop and prosper in the future as we have in the past?

Now, I do not want to be understood as opposing proper legal regulation of business enterprises, whether in corporate or other form, but I am opposed to much of the ill-advised legislative restriction imposed upon business institutions at the instance of political aspirants who seek their own selfish ends at the expense of the public weal, and very much of which amounts to but little less than confiscation.

The tariff is a burning question; it is a business problem and should be treated in a business manner.

In my opinion no tariff legislation hereafter enacted, which is not based upon the findings of a permanent body of capable men, whose sole life's work shall be devoted to the ascertaining of facts, and the best interest of our people concerning it, will meet with general approval.

However, if as a result of radical, ill-advised tariff legislation we suffer business depression and the loss of opportunity to labor, the aftermath, as in the recent floods, will plainly be visible and the remedy quick, sharp and decisive. But this is not the case with respect to the insidious class legislation which is creeping upon us, step by step and little by little. Experience teaches that once such legislation is incorporated in statute law, it is written there to stay.

CONCLUSION

And now, by way of retrospection, I wish to express to the members of the Association itself and to the Directors, past and present, with whom I have presided in deliberations and councils, the assurance of my highest personal regards, deep appreciation and profound gratitude, without exception.

I have found those associated with me in the administration of the affairs of our great organization, ready, anxious and willing at all times to discharge the various duties and responsibilities assigned to them in the conduct of our work. They have unselfishly subordinated their own business engagements and traveled often and far to counsel with me in the solution of many perplexing measures and policies we were called upon to meet and solve.

I believe I am justified in saying there are few, if any, business organizations comprising an equal number of distinct and separate departments involving like amount of detail as well as skill in their operation which are run more smoothly or with better business methods and judgment, or with greater precision than is the business end of the National Association of Manufacturers, to each and every member of the staff of which I acknowledge a debt of gratitude for their loyalty, and for the prompt and efficient coöperation with which my every call upon them has been responded to. Although I shall feel relieved when I lay aside the cares and responsibilities of the office of President, yet I shall also feel a sense of gratification that I shall not be entirely disassociated from the active operation of this Association.

In company with your distinguished ex-president, David M. Parry, I expect to sail for New Zealand and Australia early in July. We go on your accredited commission, to ascertain,

at first hand, and in an impartial spirit, the workings of the labor laws and their effect upon the industries of those countries, which are cited so often in support of successful semi-socialistic and radical reforms in relation to labor and capital and the general field of industry.

As we sail for these foreign shores, I shall summon to my mind the greatness of our own country, its marvelous resources, its unlimited energy, its vast wealth, its manifest destiny among the world of nations. As the departing shores of California fade from our sight, and we begin our journey to the far-distant Occident, I shall indulge the hope that our destiny shall always be safe beneath the benign light of our Constitution.

A nation is a people with a will. Our will has been expressed in this wonderful document. It reaches forth its protecting hand of restraint and help. It is the great citadel against which the waves of restlessness, assault, and malice break harmlessly to those within its shelter. From its great towers issue forth laws for humanity and humane justice. Under its rugged turrets the weakest is as strong as the mightiest. Beneath its shadow property is safe and secure, and from its lofty summit the light of freedom within the law bestows its gracious hope to the traveler on his way.

JULIUS KRUTTSCHNITT

THE RAILROAD SITUATION

[Julius Kruttschnitt was born in New Orleans in 1854 and educated as a Civil Engineer in Washington and Lee University. He rose from one position to another in the management of railroads,—road-master, chief engineer, general manager, vice-president, director of maintenance and operation, and he is now chairman of the executive committee of the Southern Pacific system. He is also the director of various corporations. This address is a contribution to the lively debate on the railroad situation by an engineer and executive of long experience. It was delivered before the New Orleans Association of Commerce on March 24, 1921.]

SUPPOSE for the purpose of winning the War the Federal Government had taken over control of all the sugar factories in Louisiana at a fixed rental, with a promise that they should be maintained and returned in as good condition as if they had remained in control of the owners, and that their operating organizations should be interfered with as little as possible, and thereupon had turned their management over to a person without knowledge of the business, but imbued with a firm belief in Federal ownership and unified management of the sugar industry; suppose furthermore that this person, tempted by a desire to make a large scale experiment to verify his theories, and by the opportunity to do so at somebody else's expense had ignored his tenure of the properties as lessee and had arrogated to himself the rights of the owner, and under this unwarranted assumption had shifted the equipment and machinery between factories, regardless of ownership, changing operating staffs, substituting supervisory officers of his own for those of the owners, on the theory that A would take as great interest and exercise as much care in maintaining B's property as B himself would, and B would maintain C's property in as good condition as C himself would; and suppose once again that the Federal Director had established rates of pay and working rules that ignored completely the interests of the owners and future

of the industry, and that severed the proper and natural relationship between work done and pay received, so that as a body the employees were led to believe that they had but to make demands on him to have them granted, whether reasonable or not, as a consequence of which the cost of manufacture in the best managed plants was substantially 100% of the selling price; and after doing everything to make future successful operation difficult or even impossible, should return the properties to the owners, leaving them to answer as best they might the question—"What is the matter with the Louisiana sugar industry?"

It would be substantially the same as mine when I try to answer the nation-wide question—"What is the matter with the Railroads?" which for twenty-six months endured troubles closely paralleling these hypothetical ones.

Naturally in considering this question we inquire into the condition of the roads when taken over by the Government, January 1, 1918.

We find that in 1917 they had transported more freight and passengers than ever before in their history; their lines in the closing months of that year were in excellent physical condition and the equipment better maintained than it had been before or has ever been since.

We find, too, that the roads moved a heavier freight traffic in the last nine months of private control than in the first nine months of government control, and the heaviest freight traffic *ever handled in any one month*.

The number of loaded freight cars per train and the daily mileage per locomotive and per freight car were greater than the corresponding figures under government operation in the succeeding year.

Next, you will properly ask—"What obligations did the Government assume in taking over the Railroads?"

Following the entry of our country into the World War the strenuous efforts of each government department and agency to secure preferential service interfered with the movement on the railroads, then under private control, to such an extent as to indicate the great gain that would come from a properly exercised paramount authority in allocating transportation facilities.

To meet this situation the President took over the railroads and in his Proclamation on December 26, 1917, said:

"Investors in railway securities may rest assured that their rights and interests will be as scrupulously looked after as they would be by the directors of the several railway systems."

And on January 4, 1918, he said to Congress:

"The common administration will be carried on with as little disturbance of the present operating organizations and personnel of the railways as possible."

Were these obligations, an obvious corollary as a matter of elemental justice to the act of taking over the roads, lived up to? They were not. While no one has ever questioned the President's intentions, they were promptly and completely ignored by his subordinates whom he placed in control of the railroads.

As soon as they felt securely seated they began to assert the rights of ownership to as complete an extent as if the railroads had been bought, paid for and delivered. They began to remove all marks of ownership from equipment and to make purchases for account of owners of rolling stock of improvident designs and differing from every line's cars and locomotives previously in use, thereby imposing on the carriers in perpetuity the expense of handling unnecessary dead weight and providing special repair parts. Worse, however, than anything else, the operating organizations and personnel which the President had promised to disturb as little as possible were completely disorganized by depriving the officers of the different roads of all control over wages, discipline, rules and working conditions. This was the germ of the inexcusable abuses and wastes to which we shall presently refer.

The maintenance of the relation of expense to earnings or net income, upon which depends the corporate life of the railroads, was a sacred obligation of the Government if investors were to feel that their rights and interests were being looked after as scrupulously as their own directors could do. To what extent this obligation was performed is shown by the percentage of expenses to earnings, which rose from 70.75% in 1917

to 85.16% in 1919 and to 93.74% in the eleven months ending November, 1920—the latest figures available at the time this was written. While the roads were returned to private operation on March 1, 1920, the railroad wage scales were subsequently increased by government authority, increasing the pay-rolls by more than \$600,000,000 per annum, and the roads have not been able as yet to escape from the blight of government established working conditions. Only six and one-fourth cents in 1920 out of every dollar were left to pay taxes, fixed charges and dividends, and even this petty sum vanished on many roads early in 1921.

The Federal Administration respected neither the recommendation of the President nor the guarantee of Congress to maintain the railroads in as good repair and in as complete equipment as when taken over. It did not put into the track anything near the number of ties and rails necessary to maintain it; ties, both in quantity and quality, and rails were skimped. In two years tie renewals were 28,841,969 short, enough to lay 10,000 miles of track, and rail renewals were cut 326,236 tons, enough to lay 2600 miles with 90 pound rail. On the Southern Pacific, Louisiana and Texas Lines, where annual tie replacements averaged 1,431,825 for the Test Period, yearly renewals were 398,323, or 28%, short on the return of the properties, and thousands of 6×6 inch ties, only half as large as the Company standard and totally unfit for the purpose, were put into tracks in face of repeated protests from the owners of the property. So poor was maintenance on some of the Louisiana lines as to call for protest from the State Railroad Commission.

The equipment conditions on all lines were deplorable. Repairs were so inadequately made that when the railroads were returned to their owners, equipment was in the worst condition ever known. The common use of freight cars scattered them over the entire country, where during the entire period of Federal control and for many months since they have remained far from the interested care and attention of the owners, the process of getting them back to their owners being a slow one. Before the war it was not unusual for roads to have 70% to 80% of their own cars on their lines; when they were turned back they had about 20%. Our own box cars were as low as 12½% and all cars 32% on our lines. I am handing you

photographs of some derelict Southern Pacific box cars showing the results of the fostering care of the Government during its stewardship.

After 26 months of mismanagement the Government surrendered the roads with a heritage of four or five billions of debt saddled on the country, flippantly alleged to fairly represent a legitimate war cost, although much of it was inexcusable, avoidable waste; a scale of operating expenses \$3,000,000,000 more than in 1917, and so burdensome as to make it cost almost 100 cents to earn each dollar of gross revenue.

I welcome this opportunity of putting the plight of the railroads before you, as much of their trouble is of a technical nature and little understood. If the managers cannot check waste caused by improvident agreements which they had no voice in negotiating, regulating bodies will have to raise transportation charges under the new railroad law, or you will have to be satisfied with poor service. There are hundreds of thousands of employees who now are rendering efficient services and earning all they get, but thousands of others, under the technical classifications and working conditions inherited from the Government, are being paid money they do not earn. In 1917 the railroads had 264,586 shop men; in March, 1920, 378,238, an increase of 113,652, or 43%. The movement of trains was somewhat less in 1920 than in 1917, so that with equally efficient and industrious shop men no more than the 25% increase due to the eight-hour day should have been required to keep up repairs, but the actual increase in numbers was 43%, so that the excess over 25%, 18%, or 47,600, represents roughly the cost of inefficiency.

It is difficult to be absolutely unbiased, smarting as we do under a keen sense of the injustice and breach of faith of the Government reflected in the conditions on our Louisiana and Texas Lines when returned to us. I therefore give the opinions of other competent judges:

Hon. Frank B. Kellogg, of Minnesota (Rep.), U. S. Senate, December 5, 1919, said:

"When the war broke out we had in this country, all in all, the best, the cheapest and most efficient transportation system in the world. That it was not perfect goes without saying. But this is true, and will be conceded by substantially all the

experts in the world, that nearly all the inventions, improvements and advancements of transportation facilities have resulted from American inventive genius and energy and enterprise. An efficient and constantly growing transportation system is absolutely necessary to the very life and prosperity of this nation and must be had to maintain the growth of the country. In the main, the present deplorable condition of the railroads is due to the inefficient and extravagant Government management and stupid bureaucratic control."

Hon. Atlee Pomerene, of Ohio (Dem.), U. S. Senate, December 6, 1919, said:

"I say, as a result of a year's study of this problem, that there has never been in the history of the railroads of this country as much extravagance and inefficiency as there has been under this unified control, no matter what the merits may have been; and there have been merits in the unified operation."

William J. Cunningham, James J. Hill Professor of Transportation, Harvard University, in the *New York Evening Post* of January 20, 1921, said:

"When the railroads were returned to their owners last March the condition of equipment as a whole was worse than when Federal control began."

In a paper read before New York Railroad Club, January 21, 1921, Samuel O. Dunn, Editor, *Railway Age*, said:

"The Government did not maintain the railroads in as good repair and as complete equipment as when taken over. For example, it did not put into their tracks anywhere near the number of new ties and rails necessary to maintain them in accordance with their obligation. It repaired and maintained their locomotives and cars so inadequately that when the railroads were returned to private operation their equipment was in the worst condition ever known."

The answer, therefore, to the question "What is the matter with the Railroads?" is, that they are suffering from the effect of 26 months of an experiment in government ownership and operation. I use the word "ownership" advisedly, as I have already pointed out that the Federal Railroad Administration from the beginning treated the railroads as if they were absolutely owned by the Government.

This is the disease. The remedy is simple. The first re-

quisite of any business is the right to conduct its own affairs. Without this right, efficient operation is impossible. In endeavoring to free themselves from the bonds of the labor agreements riveted on them during Federal control, when they were powerless to help themselves, the railroads are now trying to eliminate conditions that militate against their rendering such service as you have a right to expect, and in so doing are championing the cause of the general public. The present predicament of the railroads should cause the gravest apprehension to every thinking person. It is not a question of revenues adequate to cover operating expenses, taxes, fixed charges and a reasonable return to shareholders, but one of corporate life and death, and life and death as well to every industry in the land. Poor service, no matter how low the rate, is expensive and increases the cost of everything. The price of good service is negligible when compared with the price of poor service, and if you want to reduce the costs in all lines of business and in all industries I urge you to support the railroads in their efforts to bring about better transportation conditions.

The roads propose that the Labor Board permit a prompt return to working conditions under which an honest day's work will be given for an honest day's pay. This *major effort* does not propose a reduction in wages, does not abrogate the Adamson Act or Eight-hour Law, and preserves to labor all the peace-time advantages that obtained on December 31, 1917, as the result of years of collective negotiations, conferences and arbitration. There are now before the Labor Board propositions to reduce wages, also—and there will be many soon. It is imperative to remove the waste and inefficiency forced upon the railroads by the rules and working conditions made by men who were indifferent to the future of the properties and in the negotiation of which railroad owners had no voice. It is an essentially preliminary step in any effort toward the realization of conditions which may make it possible for the railroads to live under existing rates.

In existing conditions gross revenues of railroads are in the control of the Interstate Commerce Commission and State Commissions; operating expenses are fixed by numerous Federal and State laws, and the terms "Government," "Federal Railroad Administration," "regulatory commissions" you must

understand are but other names for the people, *for you* who have permitted the things to be done that have brought the railroads to their present plight.

In trying to better existing conditions we feel we have the right to ask your help, as the people in 1916 made the most complete surrender of their interests in passing the Adamson Bill, the first of many concessions to unreasonable demands of organized labor that have saddled burdens on the railroads, which if not removed will lead inevitably to ruin.

In passing the Transportation Act you recognized the interdependence of revenue, expenses and net income and provided means for handling labor troubles. In your three representatives on the Federal Labor Board rests the balance of power, as it should rest, and you can dictate the settlement of questions arising between railroads and employees. Two of your three representatives must agree with the three representatives of either the employers or employees to reach a decision. It is therefore eminently proper that as your interest in such issues is paramount you should take part—and a very active part—in all proceedings before the Board. This could perhaps be done best through the Chamber of Commerce of the United States, which represents all commercial bodies in much the same way as all the railroads are represented by the Association of Railway Executives. We frankly admit the absolute necessity of your help in solving the railroad problem, and earnestly ask it.

At the same time it is eminently proper that you should expect the managers of the railroads to tell you what we are doing to effect economies and provide efficient operation and adequate transportation facilities.

We have spent vast sums in reducing grades and curves and on second tracks, sidings and terminals in order to increase the carrying capacity of our lines and to eliminate delays.

Conservation of fuel through the use of superheated steam, feed-water heaters and other improvements and the education of the employees charged with its use—whose loyal coöperation we are pleased to acknowledge—is daily receiving more and more attention.

Shop facilities and new and more powerful tools are being provided, so that the delay to locomotives and other equipment in shops has been materially reduced.

Freight car design has been studied so as to produce a 50-ton box car 3.3 tons, or 15%, lighter and materially stronger than the United States Railroad Administration car; the favorable effect of which on income is \$330.00 per car per annum.

With the help of our employees the safety of life and limb has been greatly increased. The relation of fatalities in train accidents to locomotive miles run on all railroads of the United States for the first six months of 1920 was 20% less than in 1917. There was no fatal accident to either passenger or employee on the entire Southern Pacific System, including its electric lines, in December, 1920.

A revival of business will increase railroad earnings and will better conditions, but what will help more than anything else is your continued assistance and coöperation, which you have given so cheerfully since March 1, 1920, to railroad managers, in using tracks, terminals, locomotives and freight and passenger cars more intensively than they had ever been used before, thereby avoiding the spending of fabulous sums that would be required to provide additional cars, sidings, second track, terminals, etc. The money value of what has been accomplished with your assistance since the first of March represented by interest that would have accrued on the cost of additional equipment, yards and side tracks to hold it, and maintenance and depreciation of cars and tracks, is \$440,000,000, or \$1,220,000 a day. Private control, supported by sympathetic public opinion and coöperation, moved the heaviest traffic in the history of American railroads in August, 1920. It exceeded the average monthly movement of ton miles under Federal control by 12½%. The experience of carriers in past years with a public at times hostile and non-coöperative through lack of common understanding, and the experience of the public with 26 months of arbitrary and wasteful government control, has had a chastening effect on both, and from our respective experiences has sprung a spirit of tolerance and harmonious relations that now exist. Your aims and interests and ours were never so nearly recognized to be the same as they now are, and it behooves us all to foster these relations so that they may be lasting. By every means in our power we shall try to perpetuate them.

THOMAS WILLIAM LAMONT

THE AMERICAN BANKERS' RESPONSIBILITY

[Thomas William Lamont was born at Claverack, New York, in 1870, graduated from Harvard University in 1892 and then went to New York as a reporter on the *Tribune*. He soon transferred his interests from journalism to banking and since 1911 has been a member of the firm of J. P. Morgan & Co. During the War he rendered great service in the financial operations of the nation and was Chief Financial Adviser to our delegation at the Peace Conference. Mr. Lamont affords a notable example of the great public service performed by leaders of private corporations. In the forum for discussion of national and world affairs no voice commands more thoughtful attention than his. This address was delivered before the American Bankers' Convention held in New York City October 3, 1922.]

As Chairman of the local Reception Committee and in behalf of New York's bankers and citizens generally, I bid you welcome to this City. We want you to feel that New York City is your city—not for this Convention week alone, but for all time. For we would have you believe with us, once and for all, that New York is not local to the Atlantic seaboard, but is countrywide in its interests, in its achievements, in its attachments. There exists in this country to-day far too much in the way of sectional feeling—a feeling which if not tempered by more intimate intercourse and common experience means disunity for our country. To prevent any such unfortunate tendency is the part of all of us.

New York is not made up of a citizenship separated by some mysterious distinction from the rest of the country. On the contrary, it is composed largely of men and women from every locality in the four quarters of America. Except for its size, it might be any other great American city. Broadway is another name for Main Street. Let me tell you in a word how we in New York feel. We feel that we have a share equal with you all in the life and the ambitions of our country from the

Atlantic to the Pacific. We have the same satisfactions, the same pride as you in the great manufactures and the wonderful agriculture of the Mississippi Valley, in the cotton fields of the South, in the wheat prairies of the Northwest, in the rugged grandeur of the Rockies and Sierras, in the fertility, the color, the charm of the Pacific Slope. These great resources, the common inheritance of us all, which your boundless energy and capacity have developed to the benefit of the world, command our admiration and our gratitude.

In the same way do *you* all share deeply in whatever this City of New York possesses in the way of fine tradition, of character, of enterprise and accomplishment. Whatever it has builded for the stability and security of our country, you have had a share in that building. Whatever it has accomplished in the less material things of life, in music, letters and the arts, to such accomplishment, I say, you have contributed generously and in a portion that could never have been spared. Therefore it is that we would have you feel that New York belongs to the country and the country to New York. Therefore it is that we would have you return here, time after time, members with us of a closely joined family, sympathetic in understanding, close in aspiration, warm in mutual affection.

DOMESTIC BUSINESS CONDITIONS

Our President here has asked me to say something about American business to-day, both domestic-wise and as it is affected by conditions abroad. As to the domestic situation by itself there would appear to be little cause for conflicting views. We seem to be well into the final stage which, as the records of decades show, marks the end of one business cycle or the beginning of a new one. I hardly have to recall to you the successive stages of our business triumphs and our trials. First, was the end-of-the-war phase of huge demands for commodities of all kinds, of swiftly mounting prices, of constantly expanding business and accompanying inflation. Second, came the storm signals, namely, the heavy drop in security values in the last half of 1919. Third, came the swift fall in commodity prices, not in America alone but all over the world—a fall that would have spelled disaster to American business had it not been for the sagacity and courage of you bankers here before

me, backed up by the Federal Reserve System with a fine common-sense Southern banker at the head of it, Governor Harding of the Federal Reserve Board! Fourth, in this cycle, came finally the ease in money which denoted the flattening of prices with business on its back. That easing of money became marked in the summer of 1921, and now, as has been the case in other business cycles, we have, after a twelve-month of easy money, begun clearly to move forward again. We have had rude buffets and deep wounds. But American business has at last, with characteristic courage, bound up its bruises and is slowly moving on to new goals.

Yet, despite clearing skies and fair weather, we have not yet cause for unbounded confidence. We must not forget that, before the race is won, we still have some hurdles to jump. What are some of these hurdles? Our farmers would tell us that chief one is the low price prevailing for farm products. They say, "Yes, this is a big season for crops, but our net money gain will be small." You know what the figures show, but here is the estimated comparison between our crops last year and this:

	1922		1921	
Wheat	818,000,000	bushels	795,000,000	bushels
Corn	2,875,000,000	"	3,080,000,000	"
Oats	1,255,000,000	"	1,061,000,000	"
7 Cereals	5,274,000,000	"	5,195,000,000	"
Cotton	10,600,000	bales	8,000,000	bales

I shan't attempt to argue the point of lower prices; but I never knew any country to "go broke" because of its abundant crops. So, even though the farmers suffer disappointment, I think the low-price hurdle is the easiest one to jump. The farmers had high prices in 1919 and 1920, but the aftermath was a serious one for them. In the long run they, like all of us, will fare better on a moderate price scale, with small fluctuations.

THE PROBLEM OF LABOR AND CAPITAL

What other hurdles have we to leap in our race for prosperity? Certainly our labor strikes form one, and a big one at that, even though the worst may now seem to be over. We all say that we deplore these wretched struggles, yet the extent of

our regret must be measured by our endeavor to prevent their recurrence; by our attempt to reconcile the conflicting views. As bearing upon this situation, I ask you, who are so influential in counselling large men of business, to remember that in this country, there are still traces of arrogance among employers, as there are manifest signs of arrogance in labor. Yet the employer has even less excuse for arrogance than the laborer. The high wages of the war and of the years just after had, not unnaturally, a somewhat "spoiling" effect upon labor. They gave labor the feeling that it must always share in the prosperity,—never in the adversity of business. I deplore that feeling; yet I beg to remind you here that that feeling of labor, in so far as it was directed to the improvement of living conditions, to the gaining of a little leisure, and to the time to play and be happy, was wholly right and to the advantage of the community. From such men as you, such ambitions on the part of labor, moderately and wisely directed, should have every possible encouragement.

The problem of capital and of labor will never be wholly worked out. People talk as if it were an example in arithmetic, capable of a final solution. It is no such thing. It is a problem of human beings: therefore, of emotions, gropings, longings and ambitions. We can meet it only little by little, and only then if we put ourselves in the other fellow's shoes and get his viewpoint. Do you and I want to change our jobs of long hours, evening conferences, heavy and continuing responsibility, for the job of the man who has the chance in his daily work to relieve his brains with the work of his hands? Some days no doubt we all feel like it; but whether we would make exchange or would not, it is our responsibility to study more fully than we do to-day the conditions of labor and to be sure that, by and large, every competent worker (be he in the office or in the field) has an interval in the drudgery of work for that enjoyment of life that will make him a more contented and better citizen. In this matter you and I have a responsibility that we cannot dodge.

POLITICS AND BUSINESS

What other hurdles have we to jump? If I should answer—politics—the response might well be that politics are al-

ways with us and must ever be reckoned with as a handicap upon business. If that is true, it is our own fault in the men whom we select to legislate for us. The hurdles against business which politics set up are likely to be more formidable in the continued unsettlement which they threaten than in the actual results of legislation. That is the reason that the Bonus Bill, with its threat to tax several billions of dollars more out of the American people and distribute the fund in such a way that probably no one would receive real benefit, has been a hurdle to business. That is the reason that President Harding's ringing veto of the Bill has created such a feeling of relief in the community.

The Tariff measure is of a somewhat different order. We shall be fortunate indeed if we do not find that in practice it protects a lot of industries that do not require protection, and cuts off from our farmers and manufacturers a lot of foreign markets that are ready to buy our commodities. Many of our people still fail to realize that the word "trade" means, in the final analysis, an exchange of goods or services. Many of us still cling to the idea that international trade, as the term applies to America, means that we can sell freely to all the markets of the world and in turn need buy from them little or nothing. This theory, which seems to be the basis of much of our Tariff legislation, will, if pursued, surely wreck a big part of our foreign trade. If there is any one motto which American producers and legislators should learn by heart, it is that oft-repeated one of the British merchants, who, over a century ago, declared that "He who will not buy, neither shall he sell."

Now, let us cast our eyes across the ocean, and see if we can derive any comfort from that situation. With war and rumors of war, with the Turk—the "Sick Man of Europe," suddenly alive and kicking the Greeks all around the lot, with Russia, Germany and Austria what they are, with Ireland still in a ferment, we may well wonder what end is in sight. Yet to say that Europe has "gone all to pot," or in fact to give vent to broad generalizations about Europe, is very dangerous. On the surface, yes, things look about as bad as they could. But you bankers, when you are sizing up a customer, look far beyond his mere written statement. You take into consideration

his character, his life-long record and many other factors not plainly visible. So in any size-up of Europe we must take into account the invisible factors. And I say to you that these invisible forces are saving Europe to-day. Politically, Europe may be in the doldrums or worse; but economically (though many people may disagree on this point) I, for one, believe that Europe is on the mend.

INVISIBLE FORCES SAVING EUROPE

What are these invisible forces that, I maintain, are so great as more than to offset the visible and unfortunate factors in the European situation? The first of them is productivity. Those forces that for almost five years were given over to the killing of men, are now being devoted to the growing of crops, to the making of goods. Second, trade is on the increase; not only as to Great Britain, the traditional merchant of the world, which is already well on her feet, but as to the whole continent of Europe, even including Russia. England, has, since 1919, paid off £275,000,000 of her external debt—an amount equivalent to one and one-third of America's entire national debt prior to the World War. Last year France reduced the trade balance against her from an adverse figure of 23 billion francs to 2 billion francs.

The third point is that the people of Europe are saving. The war and its aftermath meant an orgy of spending. Now saving is taking its place. Politicians may disagree every morning upon the settlement of the Reparations question, but meanwhile the brave French peasant, day by day, is growing his wheat, is saving his centimes. What, by the way, is the amount of savings that the French people have invested in their own government securities since the war? One hundred billion francs.

As to Russia, just as I was leaving London early in the summer, practical business men, familiar with Russian conditions, made this prediction to me: That there are two ways, one akin to the other, in which the Russian situation will gradually improve. One is that the Soviet Government will begin to persuade foreign engineers, manufacturers, and other technical experts to return to Russia and take in hand various units of production and transportation. The second is that foreign mer-

chants will open up more active trade—not direct with Russia, which seems for the moment impossible—but with the buffer states like Latvia, Esthonia, etc., whose merchants (having formerly been a part of it) know Russia perfectly; and in return for shipments of goods into Russia can secure payment in kind or in some other way not open to the ordinary foreigner. One of my friends described these two processes as to Russia as akin to the isolated skin-grafting operations that are sometimes undertaken upon a bad burn on the human body. A lot of little patches of healthy skin are stuck here and there, gradually grow and after a time, with good luck, come together and cover the whole burn. I was inclined to think this a pretty good metaphor and to believe that this prophecy as to Russia was not unlikely of fulfillment, even though the time involved may be long and weary.

GRIEVOUS LOSS OF MAN POWER

Grievously as the Continent of Europe has suffered from the war, I would remind you that we are too apt to reckon such losses in material terms—in the destruction of dwellings, of mines and of means of production. Europe's greatest loss, one for which not only she but the whole world must suffer for generations to come, is the death of millions of her young men; vital, eager, ambitious; singers, painters, poets; men of imagination and of genius, upon whose ideas a great portion of the world depended for its future progress, for its discoveries in science, for its inspiration in the arts. Do you remember those lines of young Rupert Brooke, himself destined a little later to lay down his life in the great cause:

"These laid the world away; poured out the red
Sweet wine of youth; gave up the years to be
Of work and joy, and that unhoped serene
That men call age; and those who would have been,
Their sons, they gave, their immortality."

And Europe's great tragedy has been the loss of such lives and the upset of her social structure, the restoration of which will require far more of time and patience than the repair of the material destruction wrought upon her. It is to such spiritual repair that America can by thought, by insight and sympathy

contribute even more than in material ways. And upon us bankers and business men falls the responsibility of encouraging in this country the education and inspiring of our young men to high and generous ideas. For it is our young men, trained in imagination and initiative, that, in the next decade or two, must supply to Europe some of the vitality that lies stilled forever beneath the mud of Flanders.

Remember, too, that Europe cannot be restored by formulas. No scheme can right the world. Neither statesmen, economists, nor bankers can devise a plan of salvation. Only the people can save themselves, and that through the exercise of the old-fashioned virtues of hard work, of thrift, of kindliness and coöperation—coupled with wise and courageous leadership. And that is the point that leads me to emphasize the title which I have given to these scattered remarks of mine: "The American Bankers' Responsibility."

AMERICA'S GOOD FORTUNE

First, I want to remind you of the great privilege it is to be an American citizen to-day. This is still the country of great opportunity. The great, open spaces of this North American Continent have given us justification for boundless vision, for generous impulse, for glowing optimism, for helpful coöperation in all directions. Just to be born an American, free from some of the clinging prepossessions of the Old World, is in itself an inheritance and a career.

Are we to-day realizing our opportunities? As to our purely domestic situation, I should reply, on the whole, yes! Our people are generally working in a worthy way towards worthy ends. They are meeting most of our strictly home problems with candor and good sense. If, as a people, we have a lack, it is that not often enough do we "pause in living to enjoy life." We are sometimes apt, in our eagerness for quantity, to overlook quality. We let our days and our passing pleasures grow elaborate and complex, forgetting that moth and rust corrupt and that ideas and ideals are the only things that endure for the ages. America within itself is, I repeat, a land of generosity and coöperation. Throughout our great and growing commonwealths from East to West we see public spirit, eager and intelligent; we see warm hearts, fine impulses, directed towards

noble ends. But are we bringing this native American idealism—that same idealism that has led us, in five of the six wars that our nation has waged, to battle for high principle—are we bringing that same inspiration to our relations with the world at large? That is the question that, with searching earnestness, you and I may well put to ourselves to-day.

INTERALLIED DEBT PROBLEM

In this connection, there is no concrete problem more vital for us to study with clear and generous vision than that of the so-called interallied indebtedness. From the purely American view there are certain points important for us to bear in mind. It has been said many times in the last twelve-month that the one adjustment essential to the settlement of Europe is the German Reparations question. I agree that this has been, and is, a question of great importance, but it seems to me that it has now become secondary to the general one of interallied debts. Of course, in a way of speaking, it is simply a part of the latter question, because Germany's indebtedness to the Allies is international in character. In our discussions of Reparations over here, the American attitude has, on the whole, been critical of the French for apparently not realizing more quickly the facts of the situation and thus drastically scaling down the Reparations payments. In fact, many critics over here have been advising France to forgive a good part of the German debt. To these critics Frenchmen have not unnaturally replied: "It is easy for Americans to advise us to forgive German debts due us in repair of the frightful havoc caused by Germany upon our homes and industries; but what about America, in turn, doing a little of the debt-forgiving business, especially as the debts that were contracted with the American Government were made in order to enable us, in large measure, to do America's fighting before her own soldiers got into the firing line?" I am not going to argue this point. I simply bring it up so as to ask you to give it your further thought and study—whether there may not be some reason for the French attitude.

The reason why I say that Reparations has now reached a stage secondary to the larger question of Interallied indebtedness is that, while no Reparations adjustment has yet been reached, nevertheless public opinion on the other side has

now advanced to a state where, when the Reparations question comes up again next November, it ought not to be impossible to settle. In other words, over a year ago, the British realized that the Germans could, or would, never pay anything like the Reparations total fixed in the Versailles Treaty. Later the Belgian Government became similarly convinced, and now in France, as I have talked there with many classes of representative Frenchmen, there has come to be the same recognition of the fact that Germany cannot pay the huge totals set forth. The French Government, however, has, not unnaturally, taken the position that it could make no official acknowledgment of such a general fact until such time as a possible settlement was offered. The French thesis is that if Germany cannot pay what she has promised to pay, let her come forward and state just why she cannot, and what and when she can pay. Up to date the French declare they have not received any clear-cut proposition from Germany covering these points. They say that when they receive such a proposition, they will be prepared to act. I bring out this point of view, because I feel that while to many there may have appeared to be something "hard-boiled" in the French attitude, it is only fair to analyze that attitude and see what it really is.

Further, when it comes to this question of interallied indebtedness, suppose we put to ourselves, in all seriousness, that point that the French have put to us, namely—"is it fair for us, inasmuch as we seem to be urging France to forgive part of the German debt in order to effect economic adjustments in Europe, to do a little forgiving ourselves?" As we put this point to ourselves, suppose we spend a moment in looking at the amounts of governmental indebtedness owing to our Government. Just for record, I will mention again the rough totals by countries:

Armenia	\$11,959,917
Austria	24,055,708
Belgium	377,564,298
Cuba	8,147,000
Czecho-Slovakia	91,169,834
Esthonia	13,999,145
Finland	8,281,926
France	3,358,104,093
Great Britain	4,166,318,358

Greece	15,000,000
Hungary	1,685,836
Italy	1,648,034,050
Latvia	5,132,287
Liberia	26,000
Lithuania	4,981,628
Nicaragua	170,585
Poland	135,620,583
Roumania	36,128,494
Russia	192,601,297
Serbia	51,153,160
Total	\$10,150,154,196

Now as to this indebtedness, early last spring, Congress passed a law under which the President appointed a special commission to negotiate with the foreign nations the handling of their indebtedness. The power of this commission, however, was strictly limited by law. It must require the borrowing nations to pay off their entire indebtedness within twenty-five years and meantime to pay interest at an average rate not below $4\frac{1}{4}\%$. Of course, such provisions leave little room for negotiation. Under that bill about all that the European nations can do is to "sign on the dotted line," or else to decline to sign, on the ground that they know that they will not be able to live up to the specified obligation and, therefore, feel it impossible to commit themselves to a promise that they cannot carry out.

Now, being all, I hope, practical men, I think it behooves us to scrutinize this situation and to look into the various factors bearing upon it. Let us, by investigation, determine what, if any, of these debts are in any event uncollectible, and so should be written off in order to "quit fooling ourselves." Let us decide what others of these debtors are good in part but must be given ample time to pay in—far longer perhaps than twenty-five years. Emphatically, let us figure to see whether the payment of these debts (which inevitably must mean a great increase in our import and a heavy decrease in our export trade) is going to prove an asset or a liability for American business.

SHOULD THE DEBT FALL INTO TWO CATEGORIES?

I have never been in favor of wholesale cancellation of the

Allied Indebtedness, nor am I to-day. But there is one phase of the whole question, worthy of study, which has practicality in it and also some sentiment. It is based on the following fact, namely, that about one-half of the total indebtedness shown in the foregoing table was contracted between April 4th, 1917 (when Congress declared war against Germany), and the date a year later when the American army for the first time got its soldiers into the trenches in any considerable numbers. Can it not, with much reason, be argued that whereas during this period of one year, we were wholly unable to furnish soldiers to fight our battles for us, at least we were able to furnish arms and munitions? We did furnish these, but not as a free contribution to the war, for during that period the Allies were purchasing these commodities in America and were paying for them by contracting the debts just described. Ought, therefore, any part of this first half of the debt to be cancelled by the American taxpayers? I do not attempt to answer that question, which of course has been raised many times heretofore. I simply bring it up again and urge you to think about it, and if, when you reach a conclusion, express that conclusion out loud. One thing is certain: if someone on April 4th, 1917, had been able to give us our choice as to whether we should rather give up freely and for all time five billion dollars in money or give up the lives of several hundred thousands of our sons, there would have been no hesitation as to our choice. Fate, however, was the one that determined that choice. It determined that Great Britain and France should give up the lives during that first year, and that we should furnish, not our blood but our money; taking, however, in place of it the promises-to-pay of our Allies. No other policy at the time could have been followed, I grant you, but now that the war is behind us and we can take a long look back, is it wise for us, is it just, is it generous to make some composition of this matter? What is your opinion?

In making up our minds as to the proper answer, let us recall a phrase that of late years has been much used here, and sometimes misused—"America First." What does America First mean? Does it mean that we shall strain every nerve to make America first in wealth and prosperity? If so, we have already attained that ambition. Already we hold two-

fifths the entire world's stock of gold. We produce 54% of its cotton; 45% of its grains; 60% of its copper; more than half of its iron and steel. Is there any field of material accomplishment that we are not preëminent in?

As to science, no ambition could be more exalted than to have America first in that field. And we may well be glad and proud that in so many lines of science, especially perhaps medicine and pathology, this country is in the van; its progress being manifestly due not only to the zeal and skill of our scientists, but also to the boundless generosity of those men who have used their wealth to relieve and to bless mankind.

In education, too, America is in the front rank, and even though in systems for training minds of our young we may have much to learn, yet no one can deny that in our scheme of general, free schools for the youth of the land we probably surpass any other country in the world. Likewise, in our charity, America's record is a noble one. Who can forget the colossal sums for relief that our people freely gave, during the war and after? Mr. Herbert Hoover estimates these sums to have aggregated \$1,204,343,000 down to the summer of 1921. Of this amount approximately \$200,000,000 was sent abroad after the Armistice to feed the hungry and clothe the naked.

ARE WE DOING OUR FULL SHARE?

Yet with all this splendid record of liberality and accomplishment, I again put the question whether you and I and our fellow citizens generally are doing our full share to solve the weighty, the tragic questions that are weighing upon the world? Are we giving to the solution of those questions the best that is in us—our constant study and thought, the willingness to sacrifice? I make no appeal to you for the immediate material aid of the world that lies beyond the Atlantic and Pacific. I make appeal to you, and to myself, for something far more rare—for our assurance to them that we are with them in mind and in spirit in the solution of their difficulties; that we are once again ready, as we were in the Great War and as our forefathers have been for 150 years, to suffer if need be, and to yield up something of ourselves in the general cause of world justice and peace.

Concretely, may I digress for a moment to mention two situations with which in the past two years I have become somewhat familiar? One of these is the Far East. The other is Mexico. Across the Pacific, Japan is our nearest neighbor. Do not gain the opinion that the Japanese people are a sharp, tricky nation, unfriendly to us and wanting to get the advantage of us. It is not so. The Japanese nation as a whole is exceedingly anxious for our good will and friendliness and will go far to gain and retain our coöperation. Nothing, I believe to-day, is, in their opinion, quite so vital to them as an unbroken friendship with their neighbors of America. But it was upon the transcendent problem of China that I particularly wanted your thought. There is a great people—four hundred millions of them—a people high in the arts and in civilization three thousand years before Columbus came to America. But in these modern days their antiquated system of government has broken down. And trusting America, these great people of China—sober, peaceful, honest, industrious and intelligent—ardently desire the guidance of America. Any question affecting the peace and development of the whole Pacific basin must be of interest to us, and no task of greater magnitude and import waits upon us than to assist in the solution of China's difficulties. That is why I regard the Pacific Four-Power Treaty reached at Washington last winter as of such supreme importance to the Far East and as calling for the study and loyal support of every American citizen.

AS TO MEXICO

The other concrete situation which I had in mind was nearer at hand; our next neighbor to the south. To Mexico, as to China and Japan, duties not of my own seeking called me not long ago, and much time has been spent in an endeavor to assist Mexico in what I believe to be a sincere attempt by her present Administration to work out the problem of her foreign indebtedness. Any such attempt, if carried out in good faith and effectiveness by the Mexican Government, must be bound to impress the world. And what I ask of you now is to give some little thought to this near neighbor of ours. Do not accept the "hard-boiled" opinion of your neighbor that "Mexico is hopeless" or that "All the Mexican people care

about is to fight revolutions." No such opinion is true. No such opinion shows any scrutiny of the facts. Study the situation for yourself and you will find this to be true: That during the administration of Porfirio Diaz, intelligent and high minded as he was in so many ways, millions of the Mexican people had almost no opportunity to improve their position either by acquiring education or by becoming, even in part, owners of the land which they cultivated. So that the revolution which overthrew Diaz and the revolutionary movements that succeeded it—misdirected though some of them were—were, in general, efforts to relieve and uplift the great mass of Mexican people. Remember this and you cannot fail to have more sympathy with the situation to-day. Of course, the movement to reform, like all such movements in history, went too far. The pendulum swung away to the left. Trying to correct admitted evils the Republic created some new ones and adopted a constitution which is subject to criticism, not so much on the ground of its radicalism, as upon its unworkableness. The present Administration in Mexico is, I believe, making an earnest effort to change the workings of that 1917 Constitution so as to give the country a sound basis to work upon and its foreign investors adequate security. Because, however, the process is slow and halting, we have no cause for despair. On the contrary, there is strong ground for hope, always provided that you intelligent leaders of our community take the trouble to study facts, and never be wearied in your patience and sympathy for that neighbor whose frontier marches for sixteen hundred miles with ours from the Gulf of Mexico to the Pacific.

To the problems then of these two neighbors of ours to the south and across the Pacific, I ask you to give your personal thought and interest; pointing out to you meantime that the situation of Europe is inescapably joined with that of our own. In a material way we have made many nations, as Mr. Wick-ersham has said, dependent upon our own surplus products, and ourselves, in turn, dependent in part upon their markets. But, as I have said, the coöperation that I ask first for them is not economic. It lies in understanding and sympathy. The shot that was fired at Lexington in 1775 was heard around the world. At that moment America set aglow a new beacon

to light the way to freedom and liberty for the generations on both sides of the Ocean. But now that we have won so far on the way to a splendid national achievement, to well-ordered freedom, to prosperity and contentment, have we no flaming torch of leadership that we can raise before the eyes of the many millions who, since the Armistice, have been looking in vain for it?

AMERICA AT THE PARTING OF THE WAYS

Finally, do not forget that, as these nations of Europe face great dangers, America too is facing a crisis, though of a different order. We have gained great power. With the power goes weighty responsibility. Have we discharged it? For the period of the World War, my answer is yes, a thousandfold yes. For the period since the Armistice, can any one of us search his heart and answer, yes? We have, it is true, offered criticism to the nations of Europe. We have shouted advice across to them. But we have been timid and fearful of petty entanglement. Now we have, it would seem, come to the parting of the ways. Shall we meet the responsibility that has come with our power—or shall we fail? Shall you and I give our mind, our understanding and our sympathy to these problems or shall we stand aside and add to our national stock of gold? Shall we urge upon our National Government active coöperation in the counsels of the Mother Country, and of the Old World? Or shall we keep silent?

Nineteen hundred years ago there was One who said: "For unto whomsoever much is given, of him shall be much required." And again a little later: "With what measure ye mete, it shall be measured to you again." What shall we measure for ourselves? Shall it not once more be the courage that is America's tradition? Shall it not be the generosity as well as the justice that, among all the nations of the earth, will in truth and in name make America First?

IVY LEDBETTER LEE

PUBLICITY FOR PUBLIC SERVICE CORPORATIONS

[Ivy Ledbetter Lee is adviser on public relations to the Pennsylvania R. R., the Standard Oil Co. and many other large interests. It is only of late years that great corporations have felt the need of an expert publicist to advise in regard to their relations with the public. Mr. Lee has indeed created a new office and service. No one is more prominent than he in the public discussion of affairs of business, labor and industry which is represented in this volume of Modern Eloquence. Mr. Lee was born in Cedartown, Ga., in 1877, graduated from Princeton in 1898 and studied later in Harvard and Columbia. He began his career as newspaper man and soon became employed in publicity work. He is the author of many books and during the War was prominent in the Red Cross activities at home and abroad. The present address was given before the Convention of the American Electric R. R. Association at Atlantic City on October 10, 1916.]

PUBLICITY must not be thought of as it is by a good many as a sort of umbrella to protect you against the rain of an unpleasant public opinion. Publicity must not be regarded as a bandage to cover up a sore and enable you to get along pretty well with the real trouble still there. Publicity must, if your trouble is to be cured, be considered rather as an anti-septic which shall cleanse the very source of the trouble and reveal it to the doctor, which is the public. To change the metaphor again, publicity must not be thought of as a cloak to look well on the outside of a body deformed and diseased within. It must be looked on as rather a social X-ray which shall reveal the bone and the tissue, even the very heart, of the body itself. No one must attempt to adopt publicity or make use of it for his benefit unless he is prepared to take all the consequences.

A company cannot sing of its prosperity to security holders and at the same time cry over its poverty to tax appraisers and its workingmen. Publicity is distinctly a weapon that cuts

both ways, and unless a man is willing to tell everything openly, he had better not "monkey" with publicity. If his desire is simply to avail himself of publicity where it benefits him, and to get behind the curtain when he does not want publicity, my advice to him is to let it alone.

In adopting a policy of publicity any company should establish clearly to its own satisfaction that it is pursuing a policy which is as reasonable as, under the conditions, it can pursue. Such a company should be sure it is doing the best it can even if under difficult conditions. Things may not be as you would like to have them, and there are a great many improvements you would like to have made, but be sure conditions are the best that you yourself can make. If they are not the best, at any rate you are trying as hard as you know how to make them so.

Having arrived at that policy the next step is to pin one's faith in certain fundamental beliefs:

First:

The first and most important of these axioms is that the people are intelligent and will not submit to having something put over on them.

Second:

We should make up our minds and believe firmly in the fact that the American people are fair, once they know the facts.

Sometimes the people are slow in arriving at what seems to be a fair decision. But in the long run I believe that the heart of the American rings true, and that if we are reasonable and are doing the best we can, we can be sure that a presentation of the situation as we see it, and as it appears reasonable to us, will also appeal as being reasonable to the American people. But, as the President of the United States not long ago very correctly said, the people are not moved by mind, they are moved by sentiment. In developing a policy of publicity we cannot expect merely to reason the case out, merely to present statistical data and arithmetical equations, and have the people draw from these statements the conclusions we should like them to draw. People are in-

terested in their own affairs, they are not very much interested in your affairs and they will not analyze statistics.

THE FUNDAMENTAL PURPOSE OF A PUBLICITY POLICY

The fundamental purpose, therefore, which must underlie any policy of publicity must be to induce the people to believe in the sincerity and honesty of purpose of the management of the company which is asking for their confidence. If the men who are in charge of a particular company enjoy the complete confidence of the people of that community, fifty per cent. of that company's troubles are over. With such men enjoying the confidence of the people, telling the people the truth, the people in the long run will do what these men believe to be reasonable, because the people will believe in them and in the fact that what they believe to be reasonable—is reasonable. The first object of any policy of publicity, I therefore repeat, is that the management itself gain the personal confidence of the people.

Publicity in its ultimate sense means the actual relationship of a company to the people, and that relationship involves far more than *saying*—it involves *doing*. An elementary requisite of any sound publicity must, be, therefore, the giving of the best possible service. You may say that the people ask better service than you can give with the money at your disposal, and that you can give perfect service if you have the money. But, gentlemen, good service consists in many things which do not involve money. It does not cost more money to induce your employees to be courteous to the people who ride on the cars. Nothing could be more helpful to the street railways and steam railways of the United States than an active campaign on behalf of "courtesy first"—courtesy on the part of employees toward the public. Courtesy is not something which the manager can tell his employees to exercise towards the public and then himself be very economical in its use towards his employees. Employees of most companies take their tone from the man at the head, and if the man at the head expects his employees to be courteous to the public he must himself be most courteous to his employees. And that does not cost any money.

It does not cost money to give serious and thorough atten-

tion to complaints. If one complaint is made, it is a pretty safe assumption that a good many other persons are affected by the thing complained of, and haven't said anything. A man who makes a reasonable complaint to a company should be regarded as a friend, and the complaint should be carefully examined. If you can correct the trouble, it ought to be corrected. If you cannot correct it, nothing will do you more good than a frank and candid explanation to the one who makes the complaint, giving the reasons why it cannot be helped or was not helped. One of the best things any public service company could do would be to publish a Kicker's Bulletin, in which the company would publish every kick made against the service as well as the answer made to the kick. Nothing in the world pleases a kicker, whether he has expressed himself or not, more than to see his kick in print and know it has been expressed.

THE PERSONAL ATTITUDE OF A MANAGEMENT

Another thing that does not cost money is the *tone*, the personal attitude of the officers of the company toward their patrons, toward the newspapers and toward the community in which they work and live. If the people feel that the spirit of a management is hard, indifferent and irresponsive to the wishes, feelings and emotions of the community, they are not going to care much what happens to the company. But if the people feel that the company is up against a pretty hard job, that its managers are doing the best they can, the public is very apt to sympathize with the managers in their troubles.

Take the case of the New Haven Railroad. You know of the troubles of the New Haven Railroad a few years ago under Mr. Mellon. Mr. Mellon was a remarkably good railroad officer, but very tactless in dealing with the public. The New Haven Railroad to-day as a railroad probably is not very much better than it was under Mr. Mellon. Its train service at the present time is wretched. People all over New England are kicking about it, and there is great general dissatisfaction with conditions. But Mr. Howard Elliott, the president of the company, has "humanized" the property; he has taken the people into his confidence. He has made them feel that he is

doing all that can be done and that he is up against a stone wall. The result is the people are sympathizing with his difficulties and helping him.

It is not absolutely necessary that a railway manager should be a talker. I believe the most important thing is that he should be a *doer*. One of the best street railroad men whom I have ever known was Mr. E. W. Winter, for many years President of the Brooklyn Rapid Transit Company. He very seldom said anything to the public but he was always doing the best he could under the conditions with which he was surrounded. The people trusted him absolutely and knew he was doing the best he could. The Brooklyn Rapid Transit Company, under his management, from being one of the most unpopular institutions in Greater New York, became not only one of the most popular but one of the most prosperous. The attitude of saying and doing involves an attitude of open mindedness toward new things. It is a fatal blunder in policy for the management of any public service company to assume an attitude of complacency and satisfaction with conditions as they are. The public expects a company to be alive to every invention, to every development. When the trolley lines grew up they were fought by the railroads. That was short-sighted—and now the railroads know it. When the telephone was invented, its growth was retarded by the opposition of the telegraph. But now the telephone is an indispensable aid to the telegraph.

Take the case of the jitney. The jitney undoubtedly represents a response to a demand on the part of the people. The fact that the jitney is irresponsible, that it ought to charge a higher fare, that the business is now being badly conducted, does not alter the fact that the jitney does respond to a legitimate demand. I have heard many people say, "We do not insist upon a five-cent jitney—we are willing to pay ten cents—but we do believe that if it is possible to provide the kind of transportation for ten cents that we require, it ought to be possible for us to have it. We should be able if we want to to be picked up and carried directly to our homes quickly, instead of by the slow-moving trolley. If we can get some one to provide that kind of transportation, we ought to have

it." The street railway companies will have to work out a real solution of the jitney problem.

As another fundamental element in any policy of publicity, I suggest the necessity of being sympathetic toward patrons, especially in reference to accidents. The public is apt to get the idea that the railroads are only concerned about accidents because of the amount of money that will have to be paid to settle claims. The announcements of accidents made by some companies sound almost heartless. They do not seem to show any sympathy for the people who are suffering. Yet men who run railroads have the same flesh and blood, the same human feelings as any one else. When an accident happens, why cannot they let the people know of their distress at the sufferings of the people who have been hurt?

A sound policy of publicity for a public utility company also involves the adoption of an attitude of citizenship rather than a merely selfish relation to the community at large. What I mean is illustrated in the present policy of the Western Union Telegraph Company concerning government ownership. The men who manage that company say:

"We do not know whether government ownership is the best thing or not. We have confidence that if government ownership is adopted, we will be compensated for our property at its actual value. We conceive our duty at the present time to be to give the very best possible service; next to that, to give the people all the information we can that will lead them to a sound decision on this question.

"We believe that in any government ownership investigation our chief value will be as an expert witness. Our first position is as a citizen. If it is best for the American people to have government ownership of the telegraph, The Western Union Company says they ought to have that government ownership. We do not think it will be wise, but we may be wrong. We will try to help you find out if it is wise."

That expresses a policy which might well be adopted by public utilities with reference to many municipal ownership contests.

While it is true that *being* and *doing* are the most important element in any company's policy, it is also true that, although you may give most excellent service, although you may be do-

ing all the things that you ought to do, although you may *be* all the things you ought to be, the public is very apt to take all for granted, just as, for example, it takes its water supply for granted. So long as the water is good, the people do not think much about it, but the moment it is the least bit contaminated, or the supply is diminished, everybody gets excited.

WHY IT IS NECESSARY TO TELL WHAT YOU ARE DOING

There is a good deal of that element in the attitude of the public toward all public utilities, and that makes it necessary that you *tell* the public what you are doing. It is impossible to tell it to enough people by word of mouth, so you have to tell it with printer's ink. Byron says:

"Words are things, and a small drop of ink,
Falling like dew upon a thought, produces
That which makes thousands, perhaps millions, think."

In telling things through the medium of printers you must tell the things that are interesting. As an illustration, the general manager of the Pennsylvania Railroad some years ago on a very cold day sent out a notice to every track gang foreman—because of the fact that a great many of the track men on account of the cold would probably be wearing ear muffs—that upon the approach of a train, when the foreman blew his whistle, the foreman should see to it that every man *knew* he had whistled, and not take it for granted the men had heard the whistle.

The item was human. It was interesting. It was published all over the United States, and impressed people with the fact that the management of the Pennsylvania Railroad exercised sympathetic care for its men. A little fact of that kind has more weight in forming public opinion than a great mass of arguments. A similar item of interest is the summer-time practice of the Interborough Rapid Transit of New York in supplying its Subway employees with three newly laundered white duck suits of clothes a week. Very few people know this. They see these men each day wearing these nice clean suits of clothes. They take it for granted. But if the people

realized that the company was supplying these suits to the men free, and providing for laundry service, the public would appreciate better the spirit of the management.

SPEAK THE LANGUAGE OF THE PEOPLE—AND AVOID LAWYERS

In the use of printer's ink be human, be natural, and speak in the language of the people.

The greatest thing that could be done for the street railways and the steam railroads, in fact for all utilities of the United States, would be to do for them what Billy Sunday has done for religion.

The wonderful thing about Billy Sunday is that he speaks the language of the man who rides on the trolley car and goes to ball games, who chews gum and spits tobacco juice. The people know Billy Sunday and he knows them. He goes to the heart of a subject. He moves men and affects their conduct in life far more than many sermons preached in the most cultivated English.

In trying to express yourselves in language which the people can understand, *avoid lawyers*. I have seen more situations which the public ought to understand and which the public would sympathize with, spoiled by the intervention of the lawyer than in any other one way. Whenever a lawyer starts to talk to the public, he shuts out the light.

Fully one hundred years ago, Edmund Burke wrote that lawyers had "so bewildered the world and themselves in organizing forms and ceremonies and so perplexed the plainest matters with metaphysical jargon, that it carries the highest danger to a man out of that profession to make the least stop without their advice and assistance."

And H. G. Wells in one of his latest books says: "Lawyers trail into modern life most of the faults of a mediæval guild. Their law and procedure have not been remolded upon the framework of modern ideas; their minds are still set to the tone of mediæval bickering. Our urgent need is not so much to get rid of the lawyer from our affairs as to get rid of the wig and gown spirit and to find and develop the new lawyer." There are, to be sure, some "new lawyers." But they are more human beings than lawyers.

The traditional lawyer has more regard for rights than for

the right. To him precedents are all and in all, traditions must be followed, and professional etiquette is sacred above everything else. I yield to no man in respect for courts of law, but the lawyer feels that courts, legislatures and public service commissions are awe-inspiring institutions to be treated as finalities. He forgets that they are created by the people. He goes to these tribunals always, and disregards the people—the fountain of all power. I believe in telling your story to the public. If you go direct to the people and get the people to agree with you, you can disregard what legislatures, commissions, or anybody else may do or say.

I believe in paying every respect to constituted authority, but if constituted authority makes mistakes it is the duty of every citizen to make his voice heard in protest. If the people are with you in opposition to a law or a decision of some tribunal, the law and decision will sooner or later be *changed*. You may say that is a short-sighted policy, that it will do you harm and that you must cater to commissioners and constituted authorities.

But public service commissions have been making terrible blunders of judgment in recent years. Most commissioners are honest personally, but they are playing present politics, and little know how their policies will injure the public in the long run. Let the people know, and if you are right you will win.

Let the people also know that in dealing with the heads of street railway and public utility corporations, they are dealing with human beings and not mere machines.

Do not be afraid of public prejudice. It is true the fetish of the five-cent fare is one to which all knees bend, but even the five-cent fare has been overridden.

Mr. McAdoo, a very successful electric railway president, some years ago induced the people of New York City, Jersey City and surrounding country to agree to a seven-cent fare, simply by the way he put it up to them.

If the people want the service and if it cannot be given for a five-cent fare, you can persuade them in the long run to pay more for it. It is a process of education, a process in the working out of which the people will have to be shown.

In dealing with the public, in telling your story in printer's ink, you must, of course, deal with the newspapers. Take them thoroughly into your confidence, not merely as newspapers, but as representing the public.

Put your relations with the newspapers absolutely upon a frank and candid basis.

Charge the papers for what you do, and pay them for what you get, so that both sides know exactly what is being done.

Use all the advertising space that you can afford to pay for. The people are interested in so many other things that you have to make special efforts to get their attention. Many things will be published as news in the news columns of the papers, but the people do not always read the news columns. The great value of advertising space is not merely to get the thing into the paper—you can often get something in as news—but it is to be able to command your location in the paper, to be able to write your own headlines, and to be able to lay out your own typographical display. In this way you can command the attention of the people at least for a fleeting moment. And unless you can get the attention of the people away from the great mass of things which are claiming their notice nowadays, there is really not much object in having the thing printed at all.

To summarize, let me suggest that the *being* and *doing* are far more than the saying, that a man who goes into a policy of publicity must believe absolutely that he is right and that he can justify his policy upon the theory that "truth loves open dealing," and that he can rely absolutely upon the refining and sterling value of the truth.

If you devote yourself to making the public know the facts, you can have full confidence in the fact that knowledge by the public of what the truth is will make you free.

SETH LOW

THE CHAMBER OF COMMERCE

[Speech of Seth Low at the 112th annual banquet of the Chamber of Commerce of the State of New York, May 11, 1880. George W. Lane, the second vice-president of the Chamber, presided, and called upon Mr. Low to respond to the tenth regular toast: "The Chamber of Commerce of the State of New York—its Past, Present, and Future."]

MR. CHAIRMAN AND GENTLEMEN OF THE CHAMBER OF COMMERCE:—If the historian wished to convey to your minds some idea of the antiquity of this Chamber, he would scarcely do it, I think, by saying it was founded in 1768. So few besides the reporters would personally recollect those times. He would rather tell you that it dates back to an epoch when each absentee from the annual dinner was fined five shillings sterling for the offense. Think of that! How eloquently it seems to tell us that there was no Delmonico in those days. I can understand how a people that punished such a slight to commerce in such a way, would rebel at stamp acts and other burdens of the sort. The Revolution itself seems to get a new interpretation from this early custom of the Chamber. [Laughter.]

But, perhaps, a better way of making vivid to this generation the age of this body, would be to say that it dates back to a time when New York actually had a foreign commerce of its own, carried on chiefly under the American flag. It sounds like a fairy tale to one who counts the ensigns in our harbor now, to be told that tradition speaks of a day when the Stars and Stripes floated over a larger fleet of common carriers on the highways of the world—at least, so far as American business was concerned—than even that omnipresent banner of St. George. Strange, is it not, that a nation which surpasses all others in its use of machinery on the land, should have been

content to yield up the sea, almost without a struggle, to the steamships of the older world? Events over which we have no control have had much to do with it, I know; but is a single misused subsidy to keep us off the sea forever, or so long as the dominion of the steamship lasts? Are we to wait until England can build our steamers for us, and hear her say, as we run up the Stars and Stripes to the mast-head of the ship which she has built: "See, Brother Jonathon, how cheap these subsidies which I have given all these years enable me now to build for you!" It may be we must wait for this, but let us hope for a happier consummation. Nevertheless, Mr. Chairman, this Chamber does date back to the time when we had a commerce of our own. [Applause.]

In glancing over our old records, it is interesting to see what a perennial source of discussion in this body have been the pilots of the port. They have been mentioned, I think, even the past year. The first formal reference to the pilots appears in 1791, and the minutes ever since teem with memorials, protests, bills, measures, conferences and the like.

A story is told of a Chinese pilot, who boarded the vessel of a captain who had never been on the China coast before, and who asked the captain one hundred dollars for his fee. The captain demurred, and the discussion waxed warm, until the white head of an old China merchant appeared in the companion-way, and caught the pilot's eye, when he cut the dispute short by crying out: "Hi-ya! G'long olo Foxee! ten dollar can do!" [Laughter and applause.]

I apprehend there is much wisdom in this appeal. In the olden days, the complaint against our pilotage system was not only that it was costly, but that it was inefficient; and so even more costly in the losses of vessels and cargoes than in fees. But, after half a century of contest, the present system was reached in 1853, and it is, beyond dispute, acknowledged by underwriters and by merchants that, as a system, it has worked well—uncommonly well. If, therefore, the present dispute between the merchants and the pilots be, as I understand that it is, in all its vital points a dispute as to fees, I recommend to the merchants and to the pilots the Chinese method of adjustment—by compromise. Do not let us expose to the

hazard of legislative interference a system which is not likely to be bettered, and which gives us certainly efficient pilotage, because we cannot all at once get by compromise a reduction in our favor quite equal to what we think our due. [Applause.]

But what can I say, Mr. Chairman, of the Chamber of to-day? The subject is full, very full, of interest and of other good things. "May good digestion wait on appetite, and health on both." It is curious to see, all along the history of the Chamber, how coming events have cast their shadows before. In 1837 the Chamber petitioned Congress to improve the navigation at Hell Gate; in 1846 they approved a report suggesting as feasible a railroad across the continent to the Pacific; and in 1852 they asked Congress to remove the mint from Philadelphia, intimating pretty plainly that Philadelphia was too insignificant a place to enjoy so great a luxury. The first two achievements have been accomplished. The mint is almost due in Wall Street. Let Philadelphia hear and tremble. [Applause.]

When I think, Mr. Chairman, of the influence the Chamber wields, and of the influence it ought to wield, it seems to me one thing of all others should be avoided. The Chamber ought never to be put upon record in an important matter until full discussion upon fair notice has preceded action, whenever this is possible. Sometimes I have thought the action of the Chamber was somewhat the result of chance, even with reference to questions of great importance. If the Chamber is to continue free, as in the main it has been free, from being used for personal ends, and at the same time is to exert an influence at all commensurate with its power as a representative of commercial New York, the action of the Chamber ought to be the result of intelligent discussion. I would only suggest one definite thing. Why might not the notice of each monthly meeting state the items of unfinished business that may come up, and also give notice, so far as possible, of the matters to be submitted by the Executive Committee? The attendance at our meetings would be better, I am sure, if men knew when matters of interest to them were to be discussed.

Glancing toward our future, I seem to see the day when Judge Fancher shall sit in a telephone exchange and receive

his testimony in ghastly whispers from unseen mouths; when the president of the Chamber shall take the ayes and nays of a meeting whose component parts are sitting in a thousand counting rooms in this city. But I never can seem to see the day when the annual dinner can be conducted by the members except face-to-face. At all events, we can wait till Edison perfects the electric light, before asking him to make a dinner available with Delmonico fifteen miles away. [Laughter and cheers.]

In 1861 the Pacific Mail Steamship Line was petitioned for, or, at least, a mail line on the Pacific, between the United States and the Orient world, and that, while the nation was engaged in a mighty struggle for its life. The Pacific Mail Line to the East, the Pacific Railroad across the continent, the superb government buildings at Washington,—all constructed, in whole or in part, while the nation seemed to be strained to its utmost by the demands of a civil war,—these things are to me among the mightiest evidences of the faith of the men of those days who, while the present seemed to be surcharged with duties and burdens for their hands, still laid hold upon the future with such powerful grasp. Are we, of the Chamber of Commerce, worthy of the blessings that have come down to us out of the glorious past? If we wish to be, we must live partly for the future as did our predecessors.

We need a building of our own, commodious, and in some way proportioned to the great interests we represent. We need a fire-proof building for the safe-keeping of our records. Once already in our history our seal has been returned to us from an obscure shop in London. Our Charter was rescued from an old trunk in the Walton house on Pearl Street, and our historic paintings were only discovered after long loss, as the result of the fire of 1835. The Chamber of Commerce is standing now at the door of Congress, and asks them to sell at public auction the site of the old Post Office, for not less than three hundred thousand dollars and to pay to the Chamber from the proceeds of the sale the sum of fifty thousand dollars, originally subscribed, in the main, by members of the Chamber when that site was purchased from the General Government a few years ago. It is the purpose of the Chamber to buy this plot, and to build there a building worthy of itself and

of this great city. [Applause.] But so far we ask in vain.

The house Committee of Ways and Means has reported our bill favorably, but Congress does nothing. The Chamber wants this plot, not so much because of the fifty thousand dollars it has of *quasi* interest in it, but because of its eligibility. The Chamber believes it deserves well of this community and of the nation, and so believing, it asks of Congress the passage of this bill.

I look back over the past twenty years, and I find the Chamber of Commerce has been always alive to encourage gallantry, to reward conspicuous service, and to relieve distress. Eighteen hundred thousand dollars—almost two millions of dollars—has been given by this Chamber in these twenty years.

The money has not all come from members of the Chamber, but the Chamber has always been recognized as the fitting leader and minister in this city in deeds of public spirit. [Cheers.]

In 1858 it celebrated the completion of the first Atlantic cable, by giving medals of gold, with generous impartiality, to the officers of the British ship "Agamemnon" and the American ship "Niagara" alike. And in 1866 it feasted the distinguished and persevering American citizen whose pluck and courage, with reference to this cable, no disaster and no faint-heartedness anywhere could dismay.

In 1861, in token of gratitude and of patriotic admiration, the Chamber placed a medal of bronze upon the breast of every officer and private who sustained the national honor in the defense of Fort Sumter and Fort Pickens.

In 1862 it sprang to the relief of famished Lancashire; in 1865 our own sufferers in East Tennessee and in Savannah partook of its bounty; and in 1871 the bread cast upon the waters by Rochambeau and Lafayette, a hundred years before, returned through the ministry of the Chamber in an abundant harvest to the war-stricken plains of unhappy France.

In 1865 the Chamber honored itself by giving testimonials to the officers and the crew of the "Kearsarge."

In 1866 it presented to the widow of a Southern officer in the United States Navy several historic swords, sending with them a purse, "in recognition of the valuable services rendered to our country by the father and son, and as a token that

gratitude for fidelity to the flag of the Union is an abiding sentiment with the citizens of New York, descending from generation to generation."

The cities of Troy, Portland, Richmond, Chicago, three of them when swept by fire, and Richmond when cast into gloom by the fall of the State Capitol, all in turn have realized, through the prompt action of the Chamber, the large brotherliness of commercial New York.

And, finally, in 1876, at Savannah, and in 1878, through the whole southwestern district of the country, and again in 1879 at Memphis, the contributions made through the Chamber of Commerce gave substantial relief to the distressed victims of yellow fever. Thus has the Chamber contributed to promote a union of hearts throughout the broad expanse of this great Union of States. Thus has the Chamber done what it could to show that the spirit of commerce is a large and a liberal spirit, too large to be bounded by the lines that divide nations. Thus has the Chamber shown itself not unworthy of the Empire State of the New World. May the future of the Chamber be in every respect worthy of the past. [Loud Applause.]

REGINALD M'KENNA

ECONOMIC ASPECTS OF WORLD DEBTS

[The Right Honorable Reginald M'Kenna has been Chairman of the London Joint City and Midland Bank since 1919, a position of greatest responsibility and influence in the financial world. He was born in London in 1863 and at Cambridge was famous both as an oarsman and as a mathematician. In Parliament he rapidly attained a prominent position. He became Financial Secretary of the Treasury in 1905 and was successively President of the Board of Education, First Lord of the Admiralty, Home Secretary, and Chancellor of the Exchequer. No man is better qualified by ability and experience to speak of the extraordinary situation created by the huge world debts. This address is an admirable example of clear exposition—a model of business eloquence. It was given before the Convention of the American Bankers' Association in New York City on October 4, 1922.]

WHEN I received the honor of your invitation, which I greatly appreciated, I must confess I had many misgivings. I knew it would not be a light task to address an audience whose collective importance in the world of finance is unrivalled. I remembered, however, the cordial friendship which has always existed between American and British bankers, and as I realized that your invitation was a further evidence of this friendship my hesitation gave way and I gladly decided to come.

Let me begin with an explanation of my choice of subject. I thought at first that some professional topic should be selected, but I soon came across a serious difficulty. There is a much greater difference between the law and practice of banking in America and England than is generally supposed, and I felt that I should be liable to be misunderstood unless this difference were constantly borne in mind. This very meeting will illustrate the point. I understand there are over 30,000 separate banks in the United States, a large number of which are represented here. In the whole of Great Britain we have only thirty-nine. But with us the branch system is so

highly developed that these few banks have no less than 9,650 branches, of which 6,800 belong to five banks alone.

The main distinction is that our banks are regarded by the Legislature as ordinary corporations or companies, while yours are subject to special legislation in regard to nearly all their activities. You have a limit prescribed to the amount of a loan to any one customer. Certain loans are prohibited and others are restricted. Your investments are regulated. You are subject to limitations in incurring contingent liabilities and you are bound to maintain minimum cash reserves. We have none of these restrictions. Alone among deposit banking countries the United States protects depositors, some of the States going so far as to prescribe a system of guarantee.

We differ also in our central bank policy. You have adopted the Federal Reserve system under which there are twelve Federal Reserve Banks in twelve districts. In England we have a single central bank of issue, a joint stock corporation, which deals with private customers as well as with the Government and the banks. Your Federal Reserve notes are issued against gold and self-liquidating commercial paper. Our Bank of England notes are issued against gold only, with a fiduciary issue of £18,450,000.

The principles of sound banking are the same everywhere, but our countries diverge in law and practice. This is natural: British social and political conditions differ so much from yours that the same banking system could hardly be appropriate to both. Perhaps we have each something to learn from the other, but I am sure any hasty attempt to establish a common procedure in the two countries would be unwise. As our development has progressed each nation has adapted itself to its environment, and such changes as we may make in the future must conform to the habits and traditions of our peoples.

With these thoughts in mind I found it very difficult to select a technical banking subject for discussion to-day. However careful I might be I felt that, unless accompanied by much tedious explanation, my language, associated with ideas related to English practice, would be liable to be misunderstood by you whose associated ideas are so different. I resolved therefore to pass over professional banking topics and to look for

a subject of general interest to the business community. What should this be?

In their report to the Reparation Commission the Bankers Committee which sat early this summer in Paris laid stress upon the need to resume normal trade conditions between countries and to stabilize exchanges, and they came to the conclusion that neither of these aims could be accomplished without a definite settlement of the reparation and other international debts. Here then it seemed to me was a subject for my address. There will be general agreement that there is no matter of more deep concern to the world's trade at the present time than reparation payments and international debts, and I trust therefore you will not deem it out of place that I have chosen this subject for discussion to-day.

There are two preliminary observations which I must make. The first is that I speak as a banker expressing my personal views. I have nothing to do with politics and I do not appear here in any representative character. I approach the question solely from the economic point of view and my endeavor is to determine, so far as I can, the limit of the debtors' capacity to pay, and the effect of payment upon the world's trade.

Our duty is to satisfy ourselves on the financial possibilities of the case. It is not what the debtors may justly be called upon to pay but what they are able to pay, which we as business men, anxious to discover the conditions upon which trade prosperity is founded, must consider with the most careful attention.

My second observation is to meet a possible criticism. How can I, a member of a nation which is one of the debtors of the United States, speak freely to an American audience upon international indebtedness? The primary and essential duty of a debtor is to discharge his liability, and, until this is done, all observations on the origin of the debt and on the economic consequences of international payments are liable to be viewed with suspicion. A creditor may, if he like, open up questions of that kind, but a debtor should admit his obligation without further discussion.

I recognize that these are objections which I must answer and I believe that I can do so conclusively. In the course of my argument I shall show that England has the ability to pay, and, once that is established, I can unhesitatingly assert her de-

termination to honor her bond in full. I believe I am justified in asking you to treat England's debt to the United States as certain to be provided for, and, if this be conceded, we shall be free to consider the question of the remaining international debts as one in which America and England are equally concerned and in which both have the same interest as creditors.

First let us look at the magnitude of these international debts. The greatest of all is that of Germany for reparations, a debt of which the United States declined to receive any share. The amount was not defined by the Treaty of Versailles, but subsequently by the London ultimatum it was put at \$32,000,000,000, at which amount it stands nominally to-day. Of the remaining debts the liability of France to the United States and Great Britain is \$6,500,000,000, and of Italy to the same two countries \$4,500,000,000.

Russia owes these countries \$3,500,000,000 and a further \$1,000,000,000 to France. These are the principal debts; the others are all comparatively small in amount. Of the creditors of the European Continental Governments England is the greatest.

We have no record in history of international claims of this magnitude. The indemnity exacted by Germany from France under the Treaty of Frankfort in 1871, in round figures \$1,000,000,000, created the largest debt between Governments ever known until the recent war, and is the only precedent we have of a considerable international payment. It is of interest to recall how the liability was discharged. Payment of \$150,000,000 was made in gold and silver coin and in German banknotes and currency collected in France and the balance in foreign bills, chiefly German currency bills.

The precise form in which the payment was made is, however, comparatively unimportant. For our present purpose the significant question is how France procured the means of payment. She was bound to acquire German marks or foreign currency exchangeable for marks, and to do so she had either to find German or other foreign buyers for such things as she had to sell, or to obtain foreign subscriptions to her loans. Very considerable sales were made of foreign securities owned by French nationals, the French loans were largely subscribed externally, and the export of French goods was so much in-

creased that an average excess of imports of \$65,000,000 a year in the four years 1868-1871 was converted into an average excess of exports of \$46,000,000 a year in the four subsequent years. By September, 1873, the whole indemnity was paid, and although France remained liable for the loans she had issued, she was clear of any direct debt to the German Government, and indeed of all foreign debt payable in any but her own currency.

It is interesting to note the industrial condition of France at that time. Employment was extremely active and production was on a great scale. She had to meet her external liabilities, which compelled her to increase her sales in foreign markets, and she did so notwithstanding the competition of other nations. The improved standard of efficiency in production which was thereby forced upon her endured long after the period of the indemnity.

In Germany, on the other hand, there was a very different experience. The receipt of a large amount of gold and silver had, with other causes then in operation, a serious effect upon German internal prices, which rose rapidly. In 1872 there was a brief trade and financial boom, followed in the ensuing year by a crisis which was the beginning of a period of depression. It would not be correct to say that the trade conditions in Germany were entirely due to the payment of the French indemnity, but undoubtedly it was a contributory cause of material importance.

The comparative prosperity of France and depression in Germany are remarkable and give color to the story that Bismarck, in commenting upon the state of the two countries, declared that the next time he defeated France he would insist on paying an indemnity.

Such is the only precedent we have for the payment of a great international debt. The figures we have to deal with to-day are on a far larger scale than the indemnity exacted from France fifty years ago, but the problem in all essential particulars is the same. We have to discover the capacity of the debtors to pay and to consider the consequences of payment. As the indemnity demanded from Germany is much the greatest of the debts and is the one most urgently in need of a satisfactory settlement I place it in the front of our discussion.

The first question is, what is Germany's capacity to pay? You are perhaps expecting that I am about to give you an inventory of Germany's natural resources and an estimate of her productive power. All this has been done many times and much industry has been displayed in the inquiry. But what we have to investigate is not Germany's capacity to produce wealth, but her capacity to pay foreign debt. I cannot help thinking that we have here the source of the error into which the Versailles experts seem to have fallen.

Nobody has ever doubted Germany's immense power to produce, but production by itself is not enough. She must find a market for her exports, and the problem thus becomes one of determining the possible extension of German export trade. Nor is this the end. We must remember that an increase in her exports will only provide funds for reparations if there is no corresponding increase in imports. Payment for her indispensable imports must be the first charge upon the proceeds of her foreign sales, and it is only the balance, the exportable surplus, which is available for reparations.

In speaking of a nation's exportable surplus we must not forget that other factors may contribute to it besides the balance of exports over imports. Interest received from foreign investments and payment for external services, such as shipping, may be contributory factors. Before the war Germany possessed a very considerable exportable surplus derived from all three sources, but mainly from the interest on her foreign investments which were probably worth not less than \$5,500,000,000. As regards the surplus from the sale of her products and payment for services it is safe to say that it never exceeded \$100,000,000 a year.

But what is her position to-day? Most of her foreign investments have gone. Some were sold during the war, others have been seized as enemy property by the Governments of the Allied and Associated Powers, and most of what remain have lost their value as in the case of the Russian investments. Her shipping has been largely confiscated, and she has been deprived of some of her most productive areas—Alsace-Lorraine, the Saar Basin, and the Polish provinces. All the sources whence an exportable surplus might have been drawn have been greatly impaired, if not wholly destroyed. At no time was Germany's

exportable surplus sufficient to enable her to make the annual payments demanded under the London ultimatum; it is entirely out of the question that she could do so to-day.

But let us set a little nearer to the problem of Germany's present capacity to pay from the surplus sale of her production. According to a recent statement by the Chancellor of the Exchequer in the House of Commons, she has paid money and delivered property altogether to the value of about \$2,000,000,000. Of this amount \$1,645,000,000 represented the value of ships, coal, other payments in kind, property in ceded territories, and local payments to armies of occupation. The amount in cash has been only \$375,000,000. And yet, with this comparatively small cash payment, observe what has happened. The mark has declined to less than one-seventieth of the value it had when the obligation to pay was imposed upon Germany by the Treaty of Versailles. The means of payment has been found by the sale of marks. After this experience it is difficult to believe that Germany has any surplus at the present time from the export of her products.

There is a further consideration in support of this conclusion. It is beyond question that in the last three years Germany has made every effort to develop her external trade. The German workman, whose industry and efficiency are generally admitted, has been fully employed and the factories have been actively at work all over the country. The decline in the mark, which at every stage has been much greater in the external than in the internal value, has afforded a very considerable advantage to the German exporter, so much so indeed that there is hardly anywhere a manufacturer producing goods for export who does not complain of German competition. Nevertheless, the German trade figures show that the exports, long after the immediate deficiency in essential foreign commodities due to the war was made good, are still barely equal to the imports. The conclusion seems irresistible that Germany has no present capacity to obtain a surplus from the export of goods.

I am not quite sanguine enough to believe that those who think they can extract from Germany enough money to enable them to meet the internal liabilities which they themselves have incurred in restoring devastated areas will be satisfied with the statement I have just made. At the recent reparations confer-

ence of the Allied Powers held in London proposals were made of punitive measures to be taken with the object of compelling Germany to make immediate cash payments, a policy which could only have been advanced under the conviction that Germany really could pay. For my part, I do not believe that it is within her power to do so, but let us suppose for a moment that she can. We have then to consider what the effect of this enforced payment would be upon international trade and whether it would be to the advantage either of Germany's creditors as a whole or of the rest of the world.

If Germany could pay what is demanded of her, the only method of obtaining the money would be by increasing her exports. Now, what are these exports to be? She is essentially a manufacturing nation. Her foreign sale of raw materials is comparatively small. On balance she is obliged to import food, and in consequence of the loss of a large part of her mineral lands she is compelled to import both iron ore and coal for the supply of her factories and furnaces.

An increased exportable surplus could only be obtained by extending her sale of manufactured goods. To do this in the teeth of the competition of other manufacturing nations she must work longer hours for less wages, she must cut profits, she must reduce her imports to the indispensable minimum. But her competitors will not consent to stand idle while they lose their trade. They will find themselves faced with growing unemployment and heavy trade losses. So far as German goods seek to invade their own domestic markets they may endeavor to exclude them by tariffs, but in order to retain their hold on neutral markets they, too, will be compelled to reduce wages and cut profits. And thus Germany's effort to extend her foreign trade must be confronted with the opposition of the whole manufacturing interest of the rest of the world and could only be successfully countered by a general lowering of the standard of life.

I know it is frequently alleged that the collapse of the mark with the accompanying disorganization of the world's trade might have been avoided if the German Government had acted with firmness and good faith. It is said that Germany has intentionally depreciated her currency in order to induce her creditors to abandon their claims. We are told that her people

are not adequately taxed and that if they were subject to the burdens borne in some other countries the Government would be able to meet its liabilities.

It is certainly true that in my own country far heavier taxation is levied than in Germany, but I am inclined to think we are overtaxed and that overtaxation so far from fostering can not fail to depress national production. But whether I am right or wrong in that opinion I fail to see how additional taxation can stimulate foreign trade and provide a large exportable surplus. The taxes would be paid in marks, and whether the marks are derived from avowed taxation or from concealed taxation through the use of the printing press, they are in neither case a currency which would be accepted in discharge of foreign liability.

In the actual condition of Germany a foreign sale of marks is an inevitable accompaniment of the payment of reparations. Except by such sale there does not appear to be any practicable method for the Government to obtain the necessary foreign currency other than by exacting it from exporters as a condition of their receiving an export license. But the exporter, who often has external obligations of his own to meet, does not want marks but dollars or pounds sterling, as the case may be, and forthwith sells the marks paid him by the Government for the currency he needs. If we add to this regular sale in the course of business the further sale by Germans who mistrust the stability of their own currency, we have a sufficient explanation of the stupendous drop in the value of German money.

Let me come back now to the question of what Germany can pay. Certainly she can pay something, though not in the form or under the conditions it is now sought to impose upon her. Many Germans possess foreign assets, whether investments or balances in foreign banks, and it would be a perfectly practicable proceeding for them to sell these assets to the German Government, which in turn could hand them over to the Reparation Commission. But it is an essential condition of such a transaction that the owners of the foreign assets should be willing to sell them; no Government in the present situation of Germany could force a compulsory sale. How, then, could this consent be obtained?

I have no doubt that if these assets could be sold for an as-

sured profit the holders would be willing to dispose of them. It must be remembered that to a considerable extent they are the proceeds of sales of marks which have been flung by Germans on the foreign market under the well-founded apprehension that the pressure of reparation payments would rapidly depreciate their value. Relieve this pressure and the mark would immediately improve. It has still a far greater value in Germany than it has outside, and the German holders of foreign assets would have a clear advantage in selling them for marks to their Government.

It is impossible to give any precise estimate of the total value of these assets, but I believe it would be safe to put them at not less than a billion dollars. Whatever the amount may be, however, Germany could pay it, provided the fall in the marks was arrested. More than that I do not think she has the ability to find, at any rate for some years, and it would be a condition of this payment that no more should be demanded of her for a long time to come. I believe that, looking merely at the amount to be received, the creditors would gain by abandoning the attempt to obtain other money payments for a period of at least three years, and I am quite sure the world as a whole would be an immense gainer in the general stabilization of exchanges which would ensue upon an arrest of the fall in the mark.

Before I leave this part of my subject there is one observation I should like to make. I have no wish to minimize the just claims of the Allies against Germany, and I recognize the serious political difficulties which stand in the way of their abatement. But no solution of the reparation is possible unless political considerations are subordinated to economic facts. What Germany can pay may not be a simple question, but it is a question capable of being answered. Unfortunately the answer runs counter to popular hopes, popular passions, and, more formidable still, a popular sense of natural justice which prescribes that the defeated enemy who planned the war should make good the damage suffered by the victors. And so no authoritative answer is given while Europe slides into ruin.

I have dealt at length with the reparation problem in an endeavor to show that a nation, except in so far as it has an exportable surplus, can only pay foreign debt out of the wealth it

has accumulated outside its own country. If we pass now to the other international debts we have to recognize that the general argument is equally applicable to them all.

Have the debtors an exportable surplus and what are their foreign assets? With regard to the latter question the only debtor possessing any large accumulation of such assets is England. Notwithstanding her immense sale of securities to the United States in the second and third years of the war, a sale which largely furnished the means of paying for the goods of all kinds bought by the Allies, England still owns sufficient foreign securities to cover her debt to the United States two or three times over. But neither France nor Italy has a similar reserve of wealth, and I doubt whether either of them has sufficient to meet more than a trifling part of her foreign debt.

There remains to be considered their exportable surplus in the ordinary way of trade. I shall speak later of the circumstances in which an exportable surplus from production usually arises, and I shall give my reasons for thinking that nothing more than comparatively small annual payments can ever be made in this way. But it will be more convenient now to deal with an individual debt, and I will ask you to consider the particular case of the debt from France to England, which I can speak about with more freedom, as it is a debt in regard to which my own country is the creditor. We shall get a clearer view of it if we examine the circumstances in which it was incurred.

During the war France developed an immense demand for goods of foreign production. As an increasing proportion of her man power became engaged in her army, her capacity to supply herself was progressively reduced. She had no abundance of foreign securities with which to pay for her requirements and she could obtain the war materials indispensable for the maintenance of the fight in no other way than by borrowing the money to pay for them. Before the United States came into the war France had borrowed \$1,000,000,000 from the British Government, and this amount was subsequently increased to over \$2,500,000,000. The price of the goods bought by France was naturally high. Commodities produced to meet an urgent war need can never be cheap. But France was

obliged to have the goods, whatever the price, and a great stimulus was given to American and British trade.

Let us now reverse the process and imagine France paying off this debt. She could only do so by producing goods and exporting them in very large quantities, far in excess of normal trade demands. If the general trade organization of the world permitted of the absorption of this additional French output I have no doubt that her industry would be capable of the effort necessary to enable her to pay interest and sinking fund on her debt. But would there be any willingness to receive the goods? Neither England nor any other country is prepared to-day to pay for and consume goods on an exceptional scale.

There are of course conceivable, though I trust improbable, conditions in which the French debt to us might be repaid. If we were at war and the call upon our men to line the trenches was such that many of our mines and factories had to close down and if France were at peace and at liberty to increase her output to the utmost of her capacity she might pour upon our shores war material and stores equal to the whole amount of her debt to us. But in what part of the globe is there a demand for this additional output in time of peace? The mere endeavor to extend her foreign sales to the necessary degree would disorganize the trade of the world. We have seen the painful effect of an enforced competition by Germany; we should experience precisely the same results from a similar effort by France.

The inevitable conclusion is that these international debts are far too great for the capacity of any of the debtor countries except England. She alone in her accumulated foreign investments has adequate resources with which to discharge her liability to the United States. Of the others France has the greatest resources, but they are, I believe, quite insufficient to meet her obligations. The whole subject requires a rational reconsideration by the creditors, who must keep steadily in view the immediate effect of the payment of these debts on the general trade of the world.

The creditor countries will obtain greater advantage from trade prosperity which will insure full employment in their factories and workshops, than they can ever receive from the

precarious payment of these debts. In the last two years we have had experience of the effect upon foreign trade of tumbling exchanges and broken down credit, and though the consequences may be more serious in England than in the United States, where foreign trade is comparatively only a small part of the total trade, they are still grave enough in the latter country also to warrant the fullest and most careful consideration.

It may be objected that my argument appears to lead to the unpalatable conclusion that no nation, unless it has accumulated resources in the form of foreign investments, can discharge external obligations to anything more than a comparatively small amount. This is an objection that goes to the very root of the question of international loans and forces us to a consideration of the real meaning of an exportable surplus. I cannot do more than touch upon it briefly now without stretching your patience beyond the limit of extreme good nature.

It seems to me that the most compact form in which I can present the case is by calling your attention to the experience of England as a creditor country. For over two centuries British capital has been lent to other countries. Year by year England produced more than she either consumed herself or could exchange for the products of other nations, and she could not obtain a market for the surplus unless she gave the purchaser a long credit. Foreign loans and foreign issues of all kinds were taken up in England and the proceeds were spent in paying for the surplus production.

British factories and workshops were kept in good employment, but it was a condition of their prosperity that a part of their outfit should be disposed of in this way. Taking the aggregate of the transactions, British creditors have received a good return on their investment, but the ability of the debtors to pay has been dependent, speaking generally, on the development of their country being fostered by the receipt of further loans. If we take the whole field of British foreign investment, we shall find that every year England has returned in loan more than she received in interest and the balance of the world's indebtedness to her has been steadily growing.

From this view of loans made to foreign countries they

might seem at first sight to be somewhat unremunerative. If the creditor has to go lending in order to be paid the interest on previous loans, a bad debt would appear to be the only possible end to the business. But this is by no means the case. While this continuous lending has been true in the past in the aggregate of foreign loans, it is not necessarily true in any individual instance nor does it follow that it will always be true of the loans as a whole.

In our experience as bankers it is not uncommon to see loans to corporations and firms justifiably increase in amount. The borrower may show by the growth of his business and expanding turnover that such advances are thoroughly warranted, and in spite of his greater total indebtedness his credit may be improving and his balance sheet may disclose an increasing surplus.

What is true of an individual or corporation may be true of a country, but on a larger scale and viewed over a much more extended period of time. The life of an individual or even of the most successful company is as nothing compared with the life of a nation. Take the case of your own country. The United States has been the greatest external borrower in history. You required foreign capital for your internal development and you took from England alone not less than \$3,000,000,000. It is estimated that at the time of the outbreak of the war your external debt had become stationary in amount and that your exportable surplus of commodities sufficed to pay the whole of the interest. Repayment of the capital, however, would have been beyond even your capacity for a very long period had it not been for the opportunity afforded by the war. As you know, there arose then an inexhaustible demand in Europe for American goods, which led to an immense increase in your exports. Payment for these exports was largely made from the proceeds of the sale of the stocks and bonds held in England and thus a capital liability which had been growing for over two centuries was almost entirely discharged in a few years.

We see, then, that a debtor nation may in certain circumstances pay off its foreign debt with remarkable ease and rapidity. The indispensable condition for such rapid repayment is that there should be an extraordinary demand for its goods,

a demand which is a natural accompaniment of war but does not exist in peace. I cannot help thinking that there has been a general though very natural misunderstanding of the conditions under which international payments are made. In its present magnitude the subject is new. In the past we have been accustomed only to the discharge of comparatively small liabilities between nations which has been effected partly by the remittance of gold and partly by an extension of export trade facilitated by a fall in the exchange of the debtor country, and it is not easy for us now to free ourselves from the ideas we have formed in the course of our past experience.

Mistaken opinions on these economic questions are not surprising, but they are causing great disasters throughout the world. It is not many years ago—it is well within my own recollection—that a want of understanding of sound principles of banking led to repeated financial crises which were then believed to be inevitable. As they usually happened at intervals of ten or eleven years many serious persons attributed them to the variations which occur in the spots on the sun. These spots may affect the weather and, through the weather, the harvest, but a wider knowledge of banking and of currency requirements has taught us how to escape their malign influence on credit.

A better understanding of international trade and of the possible limits of international payments will quickly enable us to find a remedy for the evils which now distract us. The public on both sides of the Atlantic are beginning to take a more rational view than was possible three years ago, and if the leaders of opinion direct our footsteps along the right path I believe the world is now prepared to follow it.

To sum up: the conclusion to which I am driven is that Germany can only pay now whatever she may have in foreign balances, together with such amount as she can realize by the sale of her remaining foreign securities; that this payment is only possible if all other demands are postponed for a definite period long enough to ensure the stabilization of the mark, and that future demands at the expiration of this period must be limited to the annual amount of Germany's exportable surplus at that time.

Further that England has the capacity to pay to the United

States interest and sinking fund on her debt, but that the other debtors are none of them in a position to meet more than a small part of their external liabilities, and in the existing condition of Europe a definite postponement of any payment by them is desirable in the interest of all the parties. The actual amount which the other debtors could ultimately pay should, as in the case of Germany, be ascertained by inquiry into their exportable surplus at a full and frank conference between creditors and debtors.

It remains only for me now to thank you for the patience with which you have heard me. I have strictly confined myself to a consideration of the economic aspect of reparations and international debts, how they are payable, the general capacity of a debtor country to pay, and the effect of payment. If I have become convinced that an attempt to enforce payment beyond the debtor's ability is injurious to the international trade of the whole world, lowers wages, reduces profits, and is a direct cause of unemployment, the conclusion is founded solely on economic grounds and is uninfluenced by any political considerations or any regard to the moral obligations of the debtors.

I know very well that there are other considerations affecting these debts, but these are matters of statecraft to be determined by the rulers of the creditors' countries according to their view of wise policy, which covers many interests besides those of trade and finance.

The fact that the debtor cannot pay does not of itself discharge the obligation. The debt may become the subject of negotiation and bargain by which if the debtor obtains relief the creditor may still recover some advantage to which he may be justly entitled. But I conceive it to be the duty of bankers to help so far as they can in forming a sound public opinion upon the financial and commercial aspects of these international debts, and it is in pursuance of this duty that I have ventured to make these observations to-day.

FRANK ANDREW MUNSEY

PROBLEMS OF THE HOUR

[Frank Andrew Munsey is one of our great publishers, the owner of the New York Herald, the New York Sun, and the Baltimore American and News. Born in Mercer, Maine, in 1854, he began his business career in a country store. Before he was thirty he had arrived in New York and started The Golden Argosy, a juvenile weekly. Munsey's Weekly followed in 1889 and became Munsey's Magazine in 1891. In earlier years Mr. Munsey was author as well as publisher, and produced a number of novels. And he has not ceased to wield the pen, for occasionally an important editorial bears his signature. This address, which attracted wide attention, was given before the Convention of the American Bankers' Association at the Hotel Commodore in New York, Oct. 4, 1922.]

MR. PRESIDENT AND GENTLEMEN: Mr. Lonsdale's telegram inviting me to speak at this convention expressed the belief that I might say something to you that would be helpful to banking and helpful to business. My discussion of the business and industrial outlook for 1922, published in the *New York Herald* on the first day of the year, seems to have been largely responsible for the impression.

That forecast was substantially optimistic. This is as far as it went. The basic conditions on which sound prosperity rests were not yet right, but they were improving. We had put twenty months of intrenchment between us and the wild orgy of inflation and speculation of 1919. My purpose was to show that we were making progress toward better times, and that what we needed was confidence. People never get very far, never accomplish very much, while enshrouded in gloom. Confidence is necessary to progress, but confidence governed by facts and sound reasoning is the only confidence worth while.

We are a mercurial people. We are either up in the clouds or down in the depths. When business is good, industries are

humming, securities booming, there is no limit to our optimism. We are temperamentally incapable of seeing that the period of high pressure activities cannot go on forever. And so, too, we are temperamentally incapable of seeing any light and hope ahead when we are plunged from the bright heights of booming prosperity into the valley of gloom. This does not apply to all Americans. It does not apply to far-seeing, sound-reasoning men, but it is true of the American people in the large bulk.

One of the soundest pieces of work ever done in this country, one of the most necessary pieces of work ever done in this country, was done by the banks in 1920, in calling a halt to speculation and reckless expansion. It called for fine courage to jam on the brakes as you gentlemen jammed them on at that time. We were running wild with wide-open throttle; we were running straight for a smash that would have paralyzed the nation and stunned the world, when, under the able leadership of Mr. W. P. G. Harding, governor of our reserve banking system, you warned the country that it must immediately begin slowing down, and you applied the remedy that meant slowing down.

There was no other way to save the situation. There was no other force, not even the Government itself, that could have saved the situation. Industries cannot run without money fuel, business cannot function without money fuel; speculation falls flat without money fuel; and since the banks held the money of the country they alone were in a position to initiate and carry through retrenchment.

In my January 1 discussion of conditions this year, as in my January 1 discussion of conditions last year, I painted no alluring picture of business. I saw no boom in the offing, and did not wish to see one, for conditions were not yet right. What I wished to see, and regret that we have not seen, is a gradual but thorough liquidation in our production costs and in distribution costs, a general liquidation in house rents and other living expenses. With this liquidation we should have a sound foundation on which to build business and to look with justifiable confidence for a good run of prosperity. But instead of lower production costs, we have gone to higher production costs; instead of liquidation in the wage scale, we

have inflated the wage scale; instead of lowering housing costs, we are compelled to maintain, if not to increase, the present housing cost.

In this situation are the underlying conditions right for a run of sound business prosperity, and have they been such as to justify the bull market of the last six months? Isn't the business revival largely in response to the cry of empty shelves? If so, will the activity last? And how about foreign trade? With our high cost of production, there is and can be no such thing as foreign trade for America, except in raw materials, in foodstuffs, and in certain specialties. Production costs that make competition with other countries impossible annihilate our export trade; and without foreign trade what is the answer? In spite of all this; in spite of the fact that general conditions have not been right; in spite of the serious conditions abroad; in spite of the long drawn out coal strike; in spite of the disastrous railroad strike, security prices have gone steadily up, until now they stand at figures warranted only on sound economic conditions.

But have we sound economic conditions, considering our relations with Europe in her financial and economic distress, and considering, in the large view, our own unrest and our unsolved and unsettled problems? And is business generally coming back in dependable volume, or is the revived activity merely spotty? You may very well fancy that it is not altogether clear to me why the rebound from depressing conditions of eight months ago should have come on so fast. No, it isn't altogether clear to me. I question if the underlying conditions are right to sustain the premature boom of recent months. It may very well be, however, that I am wrong. To be right all the while is to be a drone or to own the world.

But the discussion of finance and economics and immediate business is not my purpose to-day. You are all steeped in finance, in economics, in the science of banking, and what you don't know about these will be told to you by other speakers.

The labor problem is one of our most pressing problems just now. The country hasn't enough labor to carry on its work, hasn't enough skilled mechanics, especially in the building trades, to carry on its work. With wages advancing lower living costs are not possible. In the steel mills and in the tex-

tile centers wages have had a sensational advance, and this advance, was compulsory because of the shortage of labor. In both fields of activity it was a question of bidding high for labor or shutting down the plants. Labor, like commodities, is subject to the law of supply and demand. The wage of labor will never come down until the supply exceeds the demand.

The law passed by Congress soon after the war restricting immigration is wholly responsible for the present labor shortage. If this law had never gone on the statute books, if our portals had remained as free to immigration since the war as they were before the war and as they have been throughout our history, our inflated wage scale would have been well liquidated before now. That wages would not deflate when there was a shortage of labor should have been clear to the Washington statesmen. It should have been clear to them because of the fact that America does not produce its own labor, and never has produced its own labor since the formation of the Government. England, France, Germany, Italy, and all the countries of the Old World produce their own labor. They do not depend upon foreign labor to do their work. Our only domestic labor, outside of the rural sections, is colored, and in the North that is wholly negligible. There isn't enough of it to make a dent in the situation.

We produce no labor in America for the reason that there is no sympathy between the American public school, and the pick and the ax. Put a boy through an American public school, whether he be the son of an immigrant laborer or the son of an old line American, the result is the same. He will have nothing to do with labor. And what is true of the American boy is true of the American girl, in respect of service. This spirit is fine, admirable. It is the spirit that has made America what she is—the richest and strongest nation in the world. But it leaves us without labor of our own and almost wholly dependent on foreign labor to do the plain, simple work that only human hands can do.

In this situation it is perfectly clear that the country should demand, and that you should demand, an immediate change in our immigration laws—a change that will let into this country the willing workers of the Old World who are begging at

our doors for admittance. In the matter of immigration what we need, and what common intelligence dictates we should have, is not restrictive laws but a selective system. Any change in the immigration law that would let into this country more plain labor and more skilled mechanics will be fought to the limit by organized labor. Whether our present restrictive law was passed at the behest of organized labor I do not know; but I do know that the law is exactly what organized labor has been contending for, and what organized labor will contend for with all its force.

A country the size of America, a democracy, must have party government. There is no other way to manage it. No big concern can exist without organization, and the biggest business concern in the world to-day is the American Government. A democracy is a mutual concern managed by the citizens of the country. With a population of a hundred and ten millions, obviously the only way the individual citizen can make himself felt in the management of his business—and his Government is his business—is through a political party. We are not lacking in party organization. Indeed, the Democratic and Republican parties are so strongly organized, have become so thoroughly entrenched in the field of politics, that it is a question if they have not become our masters, not our servants.

In the early days of the Republic they represented distinct and positive ideas. But with these great fundamental ideas converted into history there are no longer any big outstanding issues between them that have any place in our politics. There are, to be sure, many small points on which the Republican and Democratic parties differ to-day. It is their business to differ, to create differences, to work up issues, without which they would cease to exist as political parties. It is the business of each party to oppose and to fight the acts and proposals of the other. There is very little team work between the two parties in Congress and in our State Legislatures given to constructive measures—very little team work given to the economies of government, given unselfishly to the interests of the Government and to the interests of the people.

The truth is that neither party has a sufficient margin of safety to justify it in taking chances on such coöperation; that neither party has sufficient margin of safety to justify it in for-

getting for a minute the vote back home. While this political jockeying has been going on since the great old issues disappeared, a new issue has developed that now divides all America into two political camps, as yet without political names. They are the radical camp and the conservative camp, and within each camp there is a wide range of thought and feeling. Some day, and not a very distant day at that, these two groups will evolve into organized political parties with names that signify what they stand for.

The names of the Republican and Democratic parties have no significance that fits the present day. Each means substantially the same thing—means a stand for popular government. Since, however, we are not by way of changing our form of government, these party names mean nothing. It is not in me to put aside things that are old simply because they are old. No more is it in me to continue the use of things that are old simply because they are old. I have no such maudlin sentiment. If an old machine can give as good an account of itself as a new machine it is the part of economy, the part of common sense, to continue using it. If it cannot do this it is an economic crime to continue using it. This is as true of political machinery as it is of any tangible machinery in our vast steel plants or other great undertakings. And so, if the two old parties can continue to do our work as well as strictly new parties could do it, I should certainly favor keeping them in the harness. It would be the easy way. But, personally, I do not believe they can deliver the goods, handicapped as they are by the accumulated prejudices of time.

What we want and should have is service, and we should see to it that we have the machinery that can give us the service. In our political conventions it has been the custom of both parties to dwell at length on their historic achievements. This does not mean a thing to me. What a party can do, is doing, means everything to me. The salvation of our present situation would be a liberal conservative party, numerically strong enough to hold the balance of power against the radical forces.

There is no more conservative section of the country than the South. The conservative people of the South naturally belong with, and should line up with, the conservative people of the

North. With new political parties this would be perfectly simple, while it is not possible with old parties as separate entities in the field.

To make it plainer: If, for example, the Democratic party should come out as the radical party, retaining the old Democratic name, can you fancy that men who had been voting the Democratic ticket all their lives, however conservative their sentiments, would switch over in large numbers to the Republican party? And considered from the other side, can you fancy that men who have been voting the Republican ticket all their lives, however radical their sentiments, would switch over in large numbers to the Democratic party? This is the crux of the whole matter, for the important thing in this situation is for our voters to enroll with the party that stands for the thing they stand for in their own hearts. And this is not possible with the Republican party and the Democratic party in the field. With these two old parties out of the way, the new political alignment of the people would obviously be in perfect accord with their sentiments.

But there is one way that these two old parties could be of the greatest service to the country. This is through consolidation. Still the name—the Democratic-Republican party, or whatever it might be—would give no indication of its policies. Nevertheless, this combination of forces would constitute a mighty wall of strength reared against the fast rising tide of radicalism.

I can see nothing so important to this nation as would be the welding together in a great solid unit of all our citizens who think alike as concerns constitutional government, who think alike as concerns property rights, who think alike as concerns the institutions of our Government under which we have grown into a great, powerful and happy people. Reconsecrated to liberal conservatism—liberal conservatism in fact—our politics would be in much better shape than they are to-day, in much better shape than they have been since finishing the work for which the two old parties were originally formed. With radicalism the issue, with a radical party on the one hand and a liberal conservative party on the other, there would no longer be occasion in Congress and our State Legislatures for jockeying for issues.

I have said that the very great issues which separated the Democratic and Republican parties have passed into history. Let us go back and check up the facts. The original issue between the Democratic party and the old Whig party, the predecessor of the present Republican party, in the early days of the Republic, was the tariff. Almost at the outset of the Republic friction began to develop between the North and the South over this question. The South, with its abundant crops of cotton, corn, and tobacco, and with no manufacturing, stood out for free trade. It could live and prosper on the products of its soil. It had no infant industries to protect, and, as the South reasoned, why should it be taxed through the mechanism of a tariff to protect the infant industries of the North? The North, on the other hand, without the sunshine and the fertile soil of the South, could not live on the products of its own hard, rocky acres. With the North it was a question of industrial development or no development at all. Its small factories could not compete with the established factories of England without a tariff that would level up the costs of production abroad with the costs of production at home. And so the issue was clearly and sharply drawn between the two sections, with their wholly different interests. As time went on, the feeling over this issue became so tense that John C. Calhoun and Robert Hayne, Senators from South Carolina, came out vigorously for the separation of the South from the Union.

This action created a storm that shook the young Republic to its very depths. A long and bitter fight followed, but under the leadership of Daniel Webster, Senator from Massachusetts, the battle was won for the maintenance of the Union. The tariff sore, however, remained unhealed. And the contention of Hayne and Calhoun that the States had a right to secede from the Union still gripped the people of the South, and had some following in the North. The Democratic party was the instrument of the Southern idea; the old Whig party, the predecessor of the present Republican party, was the instrument of the Northern idea.

Later came the slavery question, which stirred the South to the point of putting the Hayne-Calhoun contention to the test. That question, the right of secession, was settled by the civil war—that question and the slavery question.

With these two issues passed on to history only free trade, the original issue, survived the war as the big dividing issue between the two parties. And now that question has been settled, in point of fact, through the South itself becoming one of the greatest industrial camps in the Union—an industrial camp destined to become bigger than the North, vastly bigger, for the reason that it has the raw materials at its door, has lower living costs and is nearer to the centers of consumption. In this situation the tariff has no place in our politics. It is wholly a business question, and should be so treated. Standing out, however, as the original issue between the two parties, it is still the fighting ground between them and to the shame of the American people, who permit these two old parties to keep this great economic question under the sordid heel of politics.

America is in a transition stage to-day. The whole world is in a transition stage to-day. America has cut loose from the conservatism of our fathers and dipped deep into the wilderness of radicalism. This is true in our politics, in our statesmanship, in our social life, in our business life, in our point of view in all things. The change from a century ago has been insidious, revolutionary. The amassing of great fortunes, general prosperity, organized labor, the spirit of unrest, the spirit of Bolshevism, the love of play, the demand for short working hours, the general dislike for work—all these are represented in the new idea, in the spirit of the times. We must give earnest consideration to this change and square ourselves to our responsibilities. Good government is back of good banking, back of good business. There can be no safe banking without good government. There can be no safe business prosperity without good government, and it is our duty—your duty, gentlemen—to see to it that we have the right machinery to insure good government.

America is the best living country in the world to-day, with its incomparable natural resources and incomparable opportunities for human advancement. America is worth saving. If it is saved, it will be saved by you and by men like you; if it is lost to the world as the foremost example of democracy, it will be lost by you and by men like you.

Nothing succeeds without ownership interest in the management. This is as true of Governments as of business; as true

of your Government as of your banks. If you want a good government you must pay the price that insures a good government. The price of good government in a republic means a deep personal interest in your government, the same serious interest you have in your business. The price of good government in a republic means work, means watchfulness, means giving the best there is in you to your government. The living of a life is a serious business. The life that absorbs from the world, gets everything it can out of the world, and gives back nothing to the world is not worth while. It is a flat waste of human force.

A man may serve his government in many ways. Public service does not consist solely in holding public office. The organization back of public office is in the public service quite the same as the Congressman or the Governor or the President, for it is the organization that puts him in office. Service in the organization is fundamental and imperative in the life of a democracy.

The position you hold in your respective communities means more than being a good banker, means more than earning dividends for your stockholders. It means citizenship responsibility, means citizenship service to your respective communities, means citizenship service to your country.

EMMETT HAY NAYLOR

THE TRADE ASSOCIATION

[Emmett Hay Naylor is a graduate of Dartmouth College and of the New York University Law School. He was four years Secretary of the Chamber of Commerce at Springfield, Massachusetts, and has been active in various commercial organizations. For eight years he was Secretary-Treasurer of the Writing Paper Manufacturing Association, said to be the oldest trade association in the United States. He is a lecturer on commercial trade associations at Dartmouth, New York, and Harvard Universities and is also lecturer at the Alexander Hamilton Institute. The following address was presented in 1919 at a meeting in New York City of the United Typothetæ of America (employing printers and publishers).]

IN Joel we read "Your old men shall dream dreams, your young men shall see visions." Dreams are generally of things of the past, visions are of the future. Dreams are truly for old men who have a past, while visions are for young men looking forward to the future and as there are admittedly nowadays few old people in business, we find most men as "children of the morning, looking forward, never back." Experience alone is the look backward, the dream of yesteryear, which is useful only as it clarifies the vision of to-morrow. And these dreams of days gone by are not always of "fresh blown roses washed with dew," but are generally nightmares of greed, distrust, cut-throat competition and of walking the plank into a sea of insolvency to the diabolical laughter of a few successful survivors. But these visions of to-morrow are the reality of to-day when greed has yielded to generosity, distrust to confidence and cut-throat competition to constructive coöperation. He is asleep and is surely dreaming who says business is not done to-day on a better basis, for most thinking men are awake to the fact that there is come to man a new vision.

It is not for me to blow a clarion blast of platitudes to assure you that you are with virtues and without vices, that

you are of the angelic hierarchy, that the millenium is at hand just because you are not your own grandfathers. You are just as human as they were and you possess the same piratical potentialities but you also possess the same saving graces, which they suppressed but which business to-day requires as most essential for real success. And yet these God-given graces of yours will not grow of themselves, they must be cultivated like any virtue. But the glorious fact is that they are recognized and are desired. Am I picturing an El Dorado, am I speaking of some golden garden of the Hesperides? No, gentlemen I am on solid mother earth, I speak of facts, of demonstrable qualities in men which have raised their business methods from sordid purposes and have made them perform on a higher plane, not alone because it profits them more in coin, but because of the satisfaction it gives to their very souls.

I do not refer here to the awakened social consciousness of man expressing itself in charities, in lunch clubs and their kind, and I do not refer to an awakened civic consciousness expressing itself in local chambers of commerce, where men of many interests work together for the common good, but I do refer to the awakened business consciousness, to mutual aid between what our grandfathers considered as enemies, to the final reality of what once seemed a ridiculous vision, to coöperation among competitors, made practically manifest to-day in the modern trade association. If time or space permitted, which they do not, I could give you testimony after testimony to show how the dreams of yesterday have faded under the refreshing morning light of to-day, of how the impossible has become the possible, of how the finer, nobler qualities of the business man now are profiting his pocket-book more and enriching his life's experience and soul's growth. Let me touch on facts in the dream and in the vision.

The dream goes back to the medieval days when men found it necessary to protect their mutual business interests by the formation of guilds in which an appeal alone was made to man's avarice. The guilds made rules and enforced them to drive men into doing things. Their selfish purpose was their undoing, assisted by the introduction of machinery. Then came the pools of the last century with every man distrusting

every other. Each man joined a pirate crew to fight other pirate crews and get away with as much personal swag as he could when his own crew was not looking. And when it was found that these methods based on primeval instincts were not successful, men sold their property and their souls to a heartless trust or combination which was the next step in the merciless methods of business. The nightmare now was at her worst. Then rose up the trampled public with a cry of wrath and the Sherman anti-trust law was passed in 1890, which is a not far distant date. Some men, however, had begun to appreciate as early as 1861 how despicable, how undesirable and how hopeless it was to fly at one another's throats and so they began working together for mutual good in small voluntary groups representing an industry. The methods and often the motives of these early converts were not above cavil; like the first brave souls of the Christian faith their ardor frequently outweighed their judgment, but they had seen the light, they had awakened from the dream, they had glimpsed the vision, they had the hope for a better, a brighter day.

The vision of these early liberal pioneers of better business is now our real and rich heritage. And their hopes and their efforts have borne fruit because the roots of the idea are in the warm ground of economic necessity. The modern trade association as a business organization, a fact-finding body, a director of the course of commerce, appeals only to the stronger, better side of man's nature and gives to his business all those material and spiritual rewards which make his brief span of service worth while and satisfying. A trade association to-day may well be defined as a voluntary organization for the improvement of an industry, and its legitimate functions, without direction as to use, are the furnishing of information upon production and distribution of commodities and raw materials therefor; assistance in the technical processes of manufacture and the standardization of products; promotion of the general use of commodities, and other forms of service which are helpful in the progress of the industry and of benefit to the public.

When man opposes economic laws, he finds the result as ephemeral and unsatisfactory if not actually ruinous as when he opposes natural laws. It is futile to hope by agreement to fix prices, to allocate territory and to limit production.

An agreement, were it legal, might work for a short while but sooner or later it would meet its end because it is uneconomic and irritates human nature. It is an insult to a man's intelligence and initiative and it robs him of that individual liberty of judgment and of action which is his inalienable right. The law now keeps him from thus doing harm to his business interests and he is coming more and more to appreciate the fundamental soundness of such statutory regulations and the importance of a knowledge of economic cycles, of facts and the danger in their opposites, the cycles of personal delusions.

While the existence of the trade association is really a result of the evolution of commerce, a reply to the insistent challenge of the old inexorable law of supply and demand, that keystone of the economic arch between producer and consumer, yet much credit is due the business man who appreciates the value of his heritage and is proving faithful to its principles. Although it might seem that the business man is merely accepting inevitable forces which he must incorporate in his principles of procedure, yet through the progress which I have seen trade associations and individual members make in the last decade I do claim that the business man is to be commended for his willingness, yes his eagerness, to accept and practice the better tenets of commerce.

As these trade associations increase their usefulness as bureaus of fact-finding, economic research, giving members information upon which to predicate their actions and showing them the established ebb and flow of market conditions, so will business and its methods keep on improving. Destructive competition and all its corollary disasters to producer, distributor and consumer are not due so much to the inherent viciousness of business men as to their lack of true facts. Give a man the truth and he will generally do right. The trade association furnishes these true facts and advocates high principles and so is a compelling power for good and is strong in that its very being and motives are the self-expression of business members themselves.

The dreams have faded, the dawn has blown to fullest day, and the new vision of business is here, vitalizing and spiritualizing the service and the reward of business men.

WILLIAM HENRY NICHOLS

THE CHEMIST AND RECONSTRUCTION

[William Henry Nichols is one of our chief representatives of the union of science and manufacture. Born in Brooklyn in 1852, graduating from New York University in 1870, he has been since then constantly engaged as manufacturing chemist, copper refiner and smelter and is head of great corporations including the Nichols Copper Co., the Allied Chemical and Dye Corporation and the General Chemical Co. He was incorporator and president of the American Chemical Society and has been member of many scientific and engineering societies. He has received honorary degrees from many American Universities and decorations from foreign Governments. This address, dealing with the part which chemists may play in the great task of world reconstruction, was delivered before the American Chemical Society in May, 1919.]

IN accordance with the plans outlined by the Council at its December meeting, the Spring meeting of this Society, now beginning, will devote itself in particular to questions of reconstruction facing us at the termination of the most destructive war that the world has ever seen. The solution of these questions will influence for good or evil the next century of the world's history. The chemist will have a very responsible part not only in the discussion, but in the work which will follow; and it is, therefore, with feelings of earnestness, soberness, and eagerness that we should approach the deliberations of the coming days. In all human probability, it will not be long before terms of peace have been agreed upon, and peace itself take the place of the unspeakable horrors of the years since August 1914. During that period, every public and private interest has been subordinated to the one question of winning the war for right and justice, thereby providing the firm foundation on which to build for the future. All over the world, civilized and uncivilized, there has been derangement beyond conception, and the first part of the reconstruction problem is to get back as soon as practicable to an approximation of the conditions

of five years ago. Aside from the impossibility of restoring the millions of human lives which have been lost, and the other millions which have been tortured, and homes made desolate, the question of destruction, wanton and otherwise, of untold billions of dollars of property, cannot be adjusted by resolutions to be good in the future, even though regret for the past be honestly felt by the chief sinners, which I fear is not the case. The property has been destroyed and most of it can never be replaced, but out of it all has come the victory of liberty and freedom, the fruits of which if wisely directed will bring a new and better era to the world. Conversely, if directed unwisely or selfishly, we will have a new era just the same, but one which may put civilization back a hundred years.

We will be falling short of a proper understanding of the difficulties and needs for reconstruction if we consider the task simply of putting back what has been displaced. We might just as well meet the matter fairly and squarely by recognizing at the outset that the world can never go back to where it was five years ago; too many things have happened in the interval, and too many thoughts and ideas have been in process of development during the preceding fifty years. A revolution has taken place, none the less effective because so much of it has been below the surface. It is perfectly true that a number of pressing matters on which the very life of the people depend must be settled, at least temporarily, before we can begin to live even ordinary lives, but we must not deceive ourselves with the thought that having temporarily settled these matters the whole question is out of the way. Let us set ourselves to briefly consider some of the forces that have been at work during the last half century, with the knowledge that whatever form of reconstruction the future has in store, these things can not be left out of our calculation. Let us look at a few of the elements of this quiet revolution, in order that we may not be taken unawares at a later period by the inrush of some crushing force of whose existence we were wholly ignorant.

Enormous sums have been added to public debts during the last five years, but we must not forget that during a long preceding time this condition of mortgaging the future has been in somewhat steady and continuous practice. I have seen it estimated that public debts of countries and municipalities

to-day exceed \$315,000,000,000. I do not know how correct that estimate is, but I imagine it is below rather than above the mark. That is what the future has got to pay for what the past, including this terrible war, has done for it. Any honest consideration of reconstruction must contemplate a gradual lowering of this terrible debt, and its ultimate extinction. We have used a large part of our assets, and have gone in debt doing it—not good business practice you will agree, but one in keeping with age-long traditions.

An unknown force confronts us in this country by the gradual growth of sentiment which has resulted to a large degree in giving the vote to women. The question is not whether they are qualified to vote, but rather what will they do with the vote and what effect will it have on our public life? As far as we have gone, it does not appear to have produced any startling changes in results, but I am not so sure that it will not eventually produce changes that will surprise us. Whatever the effect, it is a new and a little understood question, and must be taken into very careful consideration. Allied with this is the forced necessity of employment of women, in many instances to do the work previously done by men. Our experience of this phase has not been nearly as extensive as that of some of our allies, and yet the question is here, and has got to be considered if we are to make correct diagnosis of the future.

Employers of labor have realized for a long time that they have a problem to solve which is not an easy one. It is perfectly clear that we have passed the stage of public enlightenment which justified the employer, in his own mind at least, in looking upon his workmen as so many hands. It seems likely that the swing of the pendulum has carried it to the other side in which labor feels its ability to lead rather than follow. One of the greatest problems in the reconstruction period will be to find the point where both sides (if we can properly use that term) are fairly and justly treated. We have accustomed ourselves too much, I think, to consider the rate of wages paid to workmen as differentiated from the results the payment of a dollar will produce. We have got to learn, if we have not already done so, that labor efficiency is of much more importance than the rate of wages. The problem, therefore, must be solved not by one side yielding to the other, but by both meeting

on terms of mutual friendship and understanding, so that the employer can pay the largest possible share to labor which, on its part, is rendering the largest possible amount of return. When this happy state is reached, it will be found, in my opinion, that labor in this country will receive higher reward than anywhere else in the world, and the employer of labor will at the same time be able to compete with any country in the world.

A careful study of this question cannot be made without due consideration being given to the change in the character of our population within the last fifty years, rendered inevitable by the large influx of immigrants, many of whom have remained to become incorporated into our body politic, but many of whom, I fear, have not lost the old world notions which they brought with them and which they strive, by unlawful methods, to force upon the freest people on the planet.

One of the recent questions which has unsettled our minds, as much as almost any other, has been the apparent necessity of the Government taking over the management of railroads and other public utilities. While this was done doubtless as a war measure, although it had been long in the air, there is an overwhelming feeling that we have had enough of it. This is a question which must be decided promptly and for all time. It does not stand alone, but is part of a larger question, namely, whether ours shall be a government "of the people, by the people, and for the people" or something sadly different.

For many years, there has been a feeling, shared by a small but respectable minority, that the manufacture and sale of all alcoholic beverages should be prohibited. Suddenly, and to the surprise of the country, our Constitution has been amended to that effect, and whether it be the will of the majority or not, prohibition is in sight. This is no place to discuss the morals of that question, or whether light wines and beer should be excepted. It is the place, however, to point out that alcohol has many uses of great importance entirely aside from its occurrence in beverages. It is essential in so many of the arts and manufactures that a list of them here would be tiresome, even if it were not already well known to you. To any one not familiar, I recommend a study of an excellent chart prepared by the Industrial Alcohol Company. I hope that in the reconstruction period, no legislature can be fooled into for-

getting this fact, or making it more difficult for the chemist and manufacturer to obtain at reasonable cost this highly important raw material.

We have heard much in recent years on the general subject of conservation of natural resources, including the utilization of our water powers. This has had the effect of bringing the importance of this question more or less to the attention of a great many people, but it has not yet led to a thorough appreciation of the vital importance of close attention to making the most of what we have left, after the extravagant uses to which we and our forebears have made of these resources. Petroleum, natural gas, anthracite coal, forest products, and ores of all kinds, hitherto considered to be inexhaustible, we now realize have very decided limits. Most of these when once taken from the ground can never be replaced, but this is not true at least of our forests or our water powers. Yet what have we done to replace the tremendous waste which our utilization of our forests has witnessed? In our reconstruction of the future, we should not only see to it that we use no ores or fuels wastefully, but that our forests should be regularly and methodically replanted and, thus, climatic changes prevented, while forest products are produced sufficient for all needs.

Particular attention should be paid our magnificent stores of sulfur which, in spite of apparent abundance and cheap production, should be conserved to the extent that they should not be used where any other form of the element, such as pyrites, blends, etc., can fulfil their functions. At this stage of knowledge, the world should be too intelligent to wait until it has used up its resources before it awakens to the fact that the damage has been done, and nothing is left but to mourn. The reconstruction period will see a great deal done in lines of conservation, and it is on these lines in particular that the chemist will find his opportunity.

We hear a great deal about the unrest of the masses which comprise many of the workers, and much fear is entertained about what this will lead to. There are various reasons for this unrest, and some of these point to unfairness of certain employers of labor, particularly in the past. There is something in this, but not as much as many suppose. The condition of the worker and his reward have been steadily improving for

as long as I can remember, and yet we hear of unrest. You ask why, if the present system results in continuous improvement, should it be changed for something which, as far as evidence shows, produces nothing but sorrow and destruction? I think the answer to the question will be found in the propaganda of men and women who can make an easier living by talking than by working. During the reconstruction period, we must learn how to prove conclusively that our present civilization is based on justice and equity for all and thereby nullify much of the eloquence of the professional agitator.

There are many conditions, not enumerated, that have been quietly developing during the past fifty years, but I have cited enough to indicate the size of the task before us. It is a man's job. All can help who will, by the practice of very old virtues, which never need reconstruction, such as thrift, prudence, and regard for the rights of others. But the chemist can do all of these and much more, which no one else can do. Let him think of the factories to be run on constantly improved methods, the farms and enterprises of all kinds to be made more productive, the wonders to be unbarred by research, the future of the whole world to be ameliorated and broadened by his discoveries, and he may well feel proud of his profession. Joined in a great society like this, with twelve thousand of his fellows, no task should daunt him. He has not failed hitherto; he will not fail in performing his unique and absolutely essential part in solving the problems facing the world.

CHARLES DYER NORTON

ENTHUSIASM

[Charles Dyer Norton was born in Oshkosh, Wisconsin, in 1871. He graduated from Amherst in 1893 and was with the Northwestern Mutual Life Insurance Company in Chicago from 1895 to 1909. He was Asst. Secretary of the Treasury from 1909 to 1911 and Secretary to President Taft 1910-1911. From 1911 to 1918 he was vice-president of the First National Bank of New York. He is now president of the First Security Co. of New York, director in many important corporations and trustee of many educational and philanthropic foundations. Born in Wisconsin, educated in New England, in business for fifteen years in Chicago, for four years a member of the administration in Washington, Mr. Norton, in both the geography of his career and the variety of its interests, was not untypical of the New York man of affairs. He died in March, 1923. This address was delivered to the Agents of the Northwestern Mutual Life Insurance Co., in Milwaukee, Wisconsin, July, 1904.]

HAVE you ever looked into a dictionary to learn what the word "enthusiasm" really means and is? In the old Greek sense it is the visit of a god—Bacchus preferred. To be enthusiastic, is to permit the divine fire to flow through one's veins. It is an affair of the heart. The mind grasps certain facts; reason draws certain conclusions and imagination binds them like faggots into a torch, and lights them with the fires of enthusiasm. In that genial glow, the heart warms. Faith and hope revive. Energy takes command. The impossible becomes possible. Mortal men become heroes, and the work of the world is done.

There is, however, another phase of enthusiasm. John Bunyan, the peaceful conqueror, was an enthusiast, but so was the cruel inquisitor of Spain. Sir Philip Sidney was an enthusiast, but so was Captain Kidd. Enthusiasm for his art inspired Leonardo da Vinci, when he painted the Last Supper, at Milan, and the French soldiers destroyed it with equal fervor. Enthusiasm has lured bankers, honest and able bankers, to de-

struction. A wise and effective business man will not permit enthusiasm to constantly possess him. He will pass hours in careful study of facts. He will satisfy his judgment to the uttermost. He will give ample opportunity to others to do the same, and if the same facts fail to inspire others, he will examine them more closely and see whether his judgment has erred.

I do not wish to go too far afield for a comparison, but I like to think that in the upbuilding of these life insurance companies of ours there is going forward a communal movement similar to that which eight hundred years ago, in France, resulted in the erection of the great Gothic cathedrals. For centuries those majestic churches have stood guard over the villages and cities which created them. We know very little of the men who planned them, but we know that they were the leaders of their time, just as the foremost men in the business world to-day are managing these great insurance companies. We know that there was immense local pride and rivalry. We know that to the common project the artisan gave part of his time every year; the farmer gave a part of his yearly crop, just as to-day almost every American home is contributing to the upbuilding of these great institutions of ours.

We know that no architect in the early Gothic period foresaw the triumphs that were to come to his successors. The principles of the art were worked out in actual experiment, until it was found that such glorious structures as Amiens and Chartres and Rheims were possible. In time the lofty pillars of the nave stood like a forest of elms carved in stone; the soaring spire became the embodiment of human hopes; the rose window radiated a glory which no modern glass-painter has ever equalled.

The people came to pray and lingered to exchange the news. Children, tired of play in the open square, would steal into the cool shadows to watch the pencils of dancing sunlight. Widowed women, in the extremity of grief and weakness, sought consolation there, as they faced the uncertain future, for death spelled disaster in those old days. Old men came, in the evening of life, to gaze at the mighty pillars, into which they had poured their young strength.

Some of these cathedrals have not endured. Some, even

now, after the lapse of centuries, are yielding to slow time and decay, and some are standing as they will stand for unnumbered centuries to come, firm as the hills—a true and noble type of all that is finest and most enduring in human endeavor.

We, too, gentlemen, are builders; stone by stone we have seen the great structure of our Company rise under the direction of master hands. Our architects have not sought for size, but enduring strength with which to span the centuries; safety; traditions of conservation so strong that they become iron, if unwritten laws, in the very constitution of the Company itself. Steadily, year after year, they have selected the better material and rejected the worse, until two hundred thousand of the sturdiest and most conservative homes in America are vitally interested in this great structure.

Stop a moment and think of that widow, kneeling in the great French cathedral eight centuries ago, her sorrow embittered by the consciousness of a future of actual toil in the field, and think of the American mother, in that same tragic situation to-day, her home protected by a magnificent communal institution, which, though invisible, dominates modern society, as the cathedrals tower over the ancient villages of France. Consider what it will mean, when the time comes, as come it must, if we are faithful to our duty, when every American home will be so protected. Consider the effect upon the Republic when no home is destroyed by unexpected death, when no boy is deprived of the education for which his father planned, when no girl is thrust into a sordid situation in the struggle for existence.

Think of these things for a little time, and if your heart grows warm, if a current flows through your soul, transforming the carbon of everyday routine into a glowing radiance, yield to that inspiration, gentlemen, for that is the true enthusiasm! It will gain you a hearing from the most inert. It will win you honest victories, and make you desire none other. It will bring you joy in your work. It will double your efficiency. It will transform you from the man you are into the man you wish to be.

EUGENE HARVEY OUTERBRIDGE

THE PORT OF NEW YORK

[Eugene Harvey Outerbridge, merchant and director of many corporations, was President of the Chamber of Commerce of the State of New York 1916-17 and is now Chairman of the Port of New York Authority. He was born in Philadelphia in 1860 and has been engaged in business in New York since he was a boy of 18. He has long been recognized as a most accomplished speaker. This address on the great port of New York was delivered at Newark, N. J., April 25, 1922. It was once sent by radio WJC on a long journey about the world. The public speaker has long been able to command the attention of an immense number of readers through the newspapers. In the future it seems likely that the actual tones of his voice will through the radio, reach a still wider audience.]

FELLOW CITIZENS:—Broadcasting great distances by radio marks so big an advance in the arts and sciences which contribute to the advancement of civilization that the use made of it should be commensurate with its value and importance.

We Americans are rather prone to accept these great achievements as a matter of course, without making any great stir or without organizing ourselves to properly celebrate such things, as would certainly be done almost anywhere else in the world.

I have been asked to talk about the Port of New York; that is a big enough and important enough subject to everyone within reach of my voice to justify the use of this great invention as the means of telling the story.

It is probable, however, that a large majority who may be listening have no realization at the moment that the Port of New York has a personal significance to them and touches intimately the home life of everyone.

Everyone knows the City of New York as a sort of magnet, exercising an irresistible attraction to people all over the country to come and pay a visit whenever they can. All who have ever been here and many who have only heard of it have a

romantic appreciation of its attractions. It is recognized as a unique place. The Port of New York is little known but is not less romantic or unique.

The word "port" is generally regarded as synonymous with a single harbor on which is situated some single city. The Port of New York, unlike any other on this continent if not in the world, has not less than six distinct harbors—the Lower and Upper Bays, Newark Bay, Jamaica Bay and Flushing Bay and Raritan Bay, each one almost as large as any ordinary harbor, and all connected by a series of sheltered waterways which together furnish shore lines about 900 miles in length, and the Port District embraces 105 separate municipalities, of which about half border directly on some portion of the waters of the Port. One of these municipalities is Newark, with about 420,000 population, where this splendid broadcasting station is located.

Traveling ten hours a day on a vessel of ten knots speed it would take eight days to merely coast along the shore lines of the waters of the port, or the average time of a fast trans-Atlantic steamer on a voyage to Europe. If stretched out along the Atlantic Coast New York's waterfront would reach almost from Charleston, S. C., to Boston, and in a westerly direction on an airline, it would extend from New York to a point more than 100 miles west of Chicago.

Such a trip discloses a variety of scenes of commercial and industrial activities that are both amazing and entrancing. The Island of Manhattan furnishes its wonderful skyline with the architectural beauty of its great buildings. The shores of the Hudson and East rivers on each side are like a checkerboard with piers, industries and shipping, and at many other points great industrial establishments, railroad termini and steamship berthings show activities on a bewildering scale, for it must be remembered that more than half of the total commerce of the nation passes through this its chief gateway, and the productions of its industries equals 10 per cent of the total manufacturers of the entire United States; that over seventy-five millions of tons of freight enter, pass through and leave the Port by railroad transportation every year; that forty-five million tons enter or leave by steamships every year; that an ocean steamer enters or leaves the port every twenty minutes dur-

ing daylight hours every day in the year, and yet as our little steamer passes on our voyage round the port we come to green pastures and wooded hills and sandy beaches and miles of available waterfront land, which, when developed and furnished with land and water transportation facilities properly related to each other, will be capable of handling many times the volume of domestic and foreign commerce expressed in the figures above referred to.

But some one will ask how does all this affect me and come into my home life?

In the first place, it requires more than four million tons of food products alone to supply the eight million people in the Port District and this population is increasing rapidly every year. In addition, all of the materials for housing, clothing and completing the home life of the people have to be produced and supplied for their needs.

Few people have stopped to think where the vast supplies come from that are purchased and consumed by the eight million people in the Port District. Few people outside the Port District realize what an immense and constant market these needs produce for the products and activities of the people of the rest of the country.

The district consumes two million six hundred and seventy thousand quarts of fluid milk per day, equal to nearly one billion quarts per year, and this is the product of approximately four hundred and twenty thousand cows from forty thousand different dairy farms.

Nearly one-half a million pounds of butter is needed daily, and this is drawn from the following states named in the order in which the quantities come—Minnesota, Illinois, Iowa, Nebraska, Ohio, Wisconsin, New York, Indiana, Michigan, Canada.

The consumption of flour in the district in the year 1920 was one billion four hundred and eleven million two hundred thousand pounds, and to produce the amount of wheat from which this was made, approximately two millions of acres of grain fields were required, the Middle West supplying all of this commodity.

Of fresh meats, excluding poultry, the consumption in 1920 was nearly one billion pounds.

Of white potatoes, the receipts in 1920 were over seven hundred and thirty-three million pounds, and of other vegetables about seven hundred and fifty million pounds.

Receipts of live and dressed poultry were over two hundred and fifty-six million pounds.

Dried fruits over fifty million pounds.

Dried peas and beans seventy million pounds, and of eggs over one hundred and fifty-six million dozen, making an average daily consumption of over five million eggs.

This huge supply comes from more different states in the Union than does the supply of any other one commodity. The following are the principal sources in the order of their importance: Illinois, Iowa, Indiana, Ohio, Missouri, New York, California, Tennessee, Kansas, Pennsylvania, Kentucky, Texas and Michigan. Illinois sends one-fifth of the total supply and Iowa and Indiana each about one-half as much as Illinois.

It will therefore be seen that whether one is a resident and consumer in the Port District or producer or dealer in the vast regions of the country to the West and South, these great needs and this great market directly or indirectly affect the business and prosperity of all.

Furthermore, the prices which the process of trade establish in this great center have a powerful influence upon prices over much of the country. Again, the standards of style and quality that are established here exercise a potent influence all over the country, in small towns as well as in large cities.

It is well known that the women of the country like to feel that their hats and cloaks and suits bear the label of one of the well-known New York establishments, and the buyers of the western wholesale and retail stores are alive to the value of such trade-marks.

Trade and commerce, like flowing water, seek the channels of least resistance. The valleys of the Mohawk and the Hudson River furnished the easiest natural traffic route from the West and the Great Lakes to the Atlantic seaboard. This was recognized in the earliest period of our railroad building and by the State of New York when it built the Erie Canal. Now the State of New York has completed the great Barge Canal, a splendid waterway with modern terminals and at its seaboard end in the Port of New York a great two million-

bushel elevator for grain. New York puts this great waterway at the disposal of the nation free of tolls.

It is therefore through the combination of so many natural economic advantages that this has become the great port and the great consuming and distributing market of the nation.

The natural advantages were so extensive that for many years no one seemed to appreciate the necessity for any particular form of planning for the continued use of them, but with the advance in science and invention and the changes in the methods of transportation and with the unparalleled growth and expansion which has created congestion at some points, it has made necessary the planning of a comprehensive and scientific system for the terminal operations of the port, in order that saving in time and money may be effected in the handling of business and in order that the needs of an expanding population within and without the immediate Port District may be promptly and efficiently taken care of, and especially in order that the cost of living and of doing all business in the port may be reduced to the most economical unit. The States of New York and New Jersey have realized their responsibility in this matter, and on April 30, 1922, entered into a compact, subsequently ratified by the Federal Congress and approved by President Harding, creating the new Port District and establishing a Port Authority for its future development, and in March, 1922, the two States adopted the comprehensive physical plans recommended by the Port Authority. These plans will mean ultimately an expenditure over a period of years.

Changes in methods and customs, improvements and economies by a better coördination of existing facilities, and the creation of new and improved facilities will be developed gradually so as not to dislocate business as it must be carried on from day to day.

I hope I have shown in these remarks that the Port of New York is not a matter of local interest only to those in the Port District but of tremendous interest to the business people of the greater part of the nation; so also these great plans which the States of New York and New Jersey have now officialized for the scientific and economic development of the future of this great port should command the sympathy and the interest

and support of the vast number of people who will share in the benefits to be accomplished.

The proper development of the Port of New York is indeed a problem of national importance and the Port Authority will be glad to furnish information regarding the plans to which I have referred if a request is addressed to 11 Broadway, New York.

We should be pleased to hear from the business men and producers and those generally interested who are listening in tonight.

WILLIAM C. REDFIELD

FACTS AND IDEALS

[William C. Redfield was born in Albany, N. Y. in 1858 and was for many years actively engaged in business in New York City. He was a member of Congress 1911-13 and Secretary of Commerce in the Cabinet of President Wilson 1913-19. Mr. Redfield was the author of "The New Industrial Day," published in 1912, and he is well known throughout the country for his addresses on various topics, many of which might be included under the general theme which gives the title to this book. This address was given before the student assembly, College of Business Administration, Boston, Mass., on September 25, 1916.]

I HAVE been cudgeling what serves me for a brain in an effort to find something to say to you that would "stick." Of course it must be worth sticking or it will not stick, and herein lies the difficulty. One does not wish to place before you a series of bromidioms, nor to repeat that which instructors will tell you far better in the coming weeks.

Casting about, therefore, for something real, and looking back for that purpose over a long business life, two or three brief phrases have occurred to me, which as they are looked at from different angles seem to present principles so clear, so sound, so proven, as to be worth stating. Let us take then the subject for this evening's talk the following terse business maxims: Get facts; look far; think through.

In these six words lie packed massess of worldly and of spiritual wisdom. They are easy words to say but the processes they represent are most difficult to do. They involve abandonment of mental habits, the forsaking of preconceived ideas, the acceptance of many a current doctrine, the assertion of individuality, the restraint from hasty conclusions, the formation of unwonted habits; they call for effort, training, and long practice.

I think it is true no man has ever succeeded largely in the

business world without having all three of these principles present in his work to some degree. On the other hand, the presence of one or another of them without the rest often works serious damage. For these principles are full of power, and power that is uncontrolled works harm. For one to get facts may make him but a grubber into old tomes, if he does naught else. For one to look far may mean to become a visionary, if that be all he does. For one to think through may make him a dreamer in an active world or lead to indecision. The facts must be used with the thorough thought and the far outlook if the balance of mental power in business life is to be fruitful. Let us, then, look briefly at these three principles to see something of what they involve.

First, then, get facts. If we apply this principle as a measure to the business world we shall soon see that the men who live up to this principle are relatively few and lonely, and that most of us deal to a greater or less extent with fancies or with fallacies which we hope or believe are facts. Few of us will go as far in practice as the man who said to me, "If I don't know why I know what I think I know, then I want to know." Most of us are content with assumptions and few follow the scriptural maxim to prove all things and to hold fast that which is good. Yet facts, as has been well said, are stubborn things, and you may make up your mind now that if during your business lives you do not get the facts, the facts will get you.

It is not always easy to get the facts. On the contrary, it is commonly hard to get them, and because it is hard we are apt to accept assertions as to the facts from those whom we think ought to know instead of exerting ourselves to learn them directly. A business man feels, for example, that his competitor uses unworthy practices and is tempted himself to follow the bad example lest in competition he be outdone. He does not certainly know his competitor does these things. He is told it and believes it because perhaps he can not otherwise explain some success that competitor has won. It is commonly a mistake, and if he sought patiently for the facts he would often find them and save him from an error of judgment respecting another and from business mistakes upon his own part.

Another man—many a man—thinks he knows what it costs him to do business. He does not know that he knows. He

merely thinks he does. He gets along, perhaps for years, without actually learning the truth about the cost of his own business. You will say that self-interest, common sense, and other equally strong motives would make him learn the truth. I agree they ought to do so, but the fact is they do not. The Chairman of the Federal Trade Commission says half the business concerns do not know what it costs them to do business, and the experiences of the accountants of my own department justify the statement. I once worked as bookkeeper for a man who would not allow a trial balance to be taken, although for my own protection, under the advice of wiser men, I took this balance privately. He never knew, or inquired, what the full facts were respecting his own business. I was accountant for a man who after thirty years' experience sold for \$8,000 an apparatus which, including overhead, cost him \$9,000 to produce, and he was angry when a younger man than he suggested the facts to him. A friend was employed to examine into the operations of an industry only to find the methods of the management were bad; but that management strenuously objected to being told so. One must not go so far as to forget that there are in the business world thousands of men accurate and careful in the matters we are discussing, but there are more of the other kind, and some of them sit in high places.

Again there are the men who want all facts which concur with their preconceived opinions and who resent facts which do not so agree. Such concerns have little use for the cold and searching light of science, to which all truth is of equal value. They are content with a portion of the facts and object to being shaken out of the rut in which they run.

Furthermore the business world is full of facts which fight. There are moral facts which oppose immoral facts; honest facts which hate dishonest facts; partial facts which hate whole facts; crooked facts which abhor the straight ones. Yet the stern teaching of experience is that the crooked and the dishonest facts when the light is thrown on them prove not to be facts at all but only pseudo facts, having the appearance but not the reality. To get facts, then, is fundamental. With them you stand on solid ground. Without them or with them but partially your footing is uncertain. You must have a docile mind, however, if you are to follow this rule, a mind open to truth,

even to unpleasant truth, even to truth which sets awry that which you have believed and been taught. Yet the strong man sets his mind four-square to the truth and abhors that particularly villainous form of falsehood which tells but half of it.

First and foremost, then, as a mental quality and as a business practice, let me urge upon you this simple yet complex duty, Get facts. Do not be afraid of them, for they have no fear of you. If you have them with you you are safe. Without them you are always in danger. Know your job. Don't merely think you know it. There is always place in the world for the man that knows and who knows that he knows. This done you have well begun. Candidly, you will probably spend a life-time in the doing of it and meanwhile have other serious work to do.

Next among these I have set the principle "Look far." Let no pent-up Utica confine your powers. The way in which you treat this second principle will show if you are large or little men. A little man may get facts, but he can not use them largely for he is too small himself. A blind man may have certain facts at hand of which he knows, but he can not use them well since he is blind. In the mental world there are relative shades of blindness. There is a great deal of near-sight, a very large mass of ordinary sight; but the men of far mental sight, those who are called men of light and leading, are few and far between. Yet on your ability to see far depends your power to use the facts you get. You may, for example, some day run a factory and be concerned with paying wages. You may, if you do not look far, even speak of the men you employ as "hands." There are plenty of short-sighted men who call them so. If you look far, however, you will see that it would be wiser to think of them as minds, or even as souls. For men do not work with hands alone but with heart and brain. You can never lead hands; but you may, if you have facts and look afar, come to lead men. If you look far you will never describe human beings in terms of arithmetic, for you will see that the arithmetic is dead and that the men are living. You will not, if you look far, think there is such a thing as a day's work, for there is no such thing and will be none until all men work alike everywhere. There are as many kinds of day's work as there are kinds of men, but men are infinitely variable.

If you look far you will not think that a fixed rate of pay produces a fixed result, for you will know that men are unlike and that what one can do another can not, and that what a second will do a third will not. You will see that in dealing with men you are dealing with character and temperament and health and heredity and a mass of other things that make up the complex being we call "man" and which sometimes in our nearsightedness we describe as a two-dollar man or a three-dollar man.

If you look far you will see beyond a whole mass of current phrases and ideas which are the outward and visible expression of the average mind but across which he who looks far sees clearly a more distant and more fruitful horizon. Nay, the very act of looking far will make facts precious to you, for the broad vision will bring them to your sight and make you value them.

There are all sorts of phrases which describe nearsight but which farsight over-rules. Nearsight says, Charity begins at home. Farsight adds, But does not end there. Nearsight would say, A bird in the hand is worth two in the bush. Farsight would say, What kind are in the bush and can I get them? Nearsight would say, Thus I have been taught. Farsight would say, Is this teaching true? Nearsight would have you live in a parish and be a parochial business man. Farsight would have you live in the world and draw upon the richness of it all for the enlarging of your life. It is one of the great phrases of the Old Book, and an inspiring one, which says, "Thou hast taken me and thou hast set me in a large place."

Having acquired the habit of getting facts and having caught the vision of things from afar, make your thinking straight. How many men there are in the business world who think in circles or at best in curves; whose minds lack the penetrating power which goes to the heart of things. If you have gotten facts and have the farsight use the latter on the former to make all things mentally clear. If you do not think clearly you can not talk clearly. Good salesmanship is not a product of mental indigestion. Do you want to be able to state the facts of business to men of business, then you must think through those facts so that they are wholly controlled by you, so that they have become a part of your mental self, so that you will not stumble over your own mental obstructions in the very act of

stating your case. A business problem will arise before you. First get the facts about it and treat them in a broad way, not in a narrow way. Do not stick them in a groove in which you like to run because it is easy and attempt to push them ahead of you in that same old line. Get them all and spread them on your mental table; get their bearings and adjust them in their actual relations, so that you may know how they lock and interlock. In this process you are thinking through those facts, and if you continue it to the end you will control the use of those facts. Again and again one sees in life men who mean well, who are willing to get the truth and willing to use it broadly, who do neither effectively because they have not thought the thing through. This thorough thinking is one of the finest safeguards a man can have against error, because as he sits down with his facts and chews the cud upon them over and over again they fall into relations, the false separates itself from the truth, the trifling from the essential, the strong from the weak, and by a process of mental discarding the useless are set aside and true values come to light.

Again and again I have faced men in business problems who had thought pretty well but not thoroughly upon the thing in hand. Many times also I have met men who were masters of the thing with which they dealt. Thorough thinking would remove many a phantom which, though a ghost, still exerts power upon our thought. Thorough thinking will destroy many a false ideal. Slavery could not endure thinking through that subject. The duelling practice, with its false sense of honor, could not endure thorough thinking upon the subject. Many a business and political fallacy will die an early death to him who thinks it through. Many a teacher, I fear, may be embarrassed to have his pupils do thorough thinking, but it will do both the teacher and the pupil good to have this so. The process is not one which lends itself to smartness. To think through a thing is not always a quick process. There are men with minds like light, which seem to penetrate into the recesses of a subject. One of slower mental habit need not worry. He may in the end go deeper and stand on firmer ground. Quick comprehension is a most desirable business quality to be sought and valued, but it is not the same thing as thorough thinking and it does not take its place.

Finally, permit me a few words on the ideals of business. The business life will, if you treat it fairly, call forth your best. It will mean the search for truth. It will mean a broad and human philosophy. It will mean keen, incisive thought. All these are good. But your business is not to be your life. It is the means whereby you live, but your life is something else. To be absorbed in business so that you live for it is to be intellectually and spiritually maimed. One who does so is not a whole man but only part of what might be a complete man. Of course to gain has wonderful interest. It is fascinating to pit mind against mind, knowledge and acumen and reflection and energy against the similar powers in other men. It is a splendid and in the best form an ennobling part of life, but it is only a part. There is a certain shallow criticism among us, which does not get the facts and does not see far and does not think through, which would teach at times that business is sordid and its motto "An eye for an eye and a tooth for a tooth." Yet this city and others are full of the works of men who, after they have won in the business arena, have given their ideals play in enriching the towns which gave them birth or in which they live. Every such gift is a protest against the shallow cry that business is wholly sordid. Yet in saying this I have not given you even a glimpse of all the facts about it. There are to-day factories all over this land, thank God, who think through the problems of business with a far vision of the facts and who have grasped the ideal of service to and through those whom they employ and are holding up before them and to the world examples of leadership that make the business life stand on a level with all that is best in statesmanship and art and music and the law and the ministry and the other great and beautiful productive professions.

It is true of course, it is a part of the facts, that there are those—many of them—in business who only seek to get and who never think to give either of themselves or of that which they possess. So there are weak, wicked men in other high professions, men that prostitute art and medicine and perhaps the pulpit; who separate themselves from the great facts of life and with narrow vision think only on the surface of their own petty and selfish desires. Still, if the mills of the gods grind slowly they grind exceeding small. If we watch

the facts of the growth of public thought and the increase of broad vision and of the habit of thorough thinking we shall see, if we look far enough, that these things are doomed; that selfishness is taken at its true lack of value; that littleness is known to be a small thing; that wealth without vision or ideals is power misplaced and is sternly judged as such. So we may hope that as the love of truth and obedience to it shall grow and as with firmer footing thereon we look afar and think clearly on what we see, we shall see our beloved America advancing to that primacy among the nations which awaits the nation which honors the facts, which looks afar, and which thinks clearly.

GEORGE McCLELLAND REYNOLDS

UNLEASHING BUSINESS FOR WAR

[George McClelland Reynolds was born in Panora, Iowa, in 1865. He has been in the banking business since 1879 and in 1920 became Chairman of the Board of Directors of the Continental and Commercial National Bank of Chicago. He was offered the portfolio as Secretary of the Treasury in President Taft's Cabinet and has held many positions of public trust. In recent years Mr. Reynolds has become well known as an authoritative speaker on matters of finance. The address which follows was given before the War Convention of the U. S. Chamber of Commerce, Atlantic City, September, 1917.]

BANKERS and other business men face, in this war, prodigious problems that may multiply as the conflict proceeds. That they will cope with these problems and solve them with the government's aid is not to be doubted by any who knows their patriotism, courage and resourcefulness. All they ask of federal and state authorities is coöperation that will allow such degree of latitude as will avoid crippling industry. The roll of America's killed and wounded can be held down to the minimum only by keeping business vigorous until we are victorious.

A full measure of permanent coöperation between the government and business deserves an especial plea, for prejudice, suspicion and discriminating legislation and regulations upon the part of the one will result in uneasiness and unsteadiness of purpose upon the part of the other. There was never any other time in our history when the government so urgently needed the help that it will receive from an undiminished effort to reach maximum production in all industries, for every pound of material that can be turned out by all the mines, mills and factories can be used, and then, I fear, there will not be enough to meet all demands. Even now there are unmistakable signs of hesitancy. Business men are afraid to place orders because they do not know with sufficient certainty what will be the

policy of the government upon many subjects vital to the safe conduct of business, or when those policies will be announced. Stability and fairness in laws and regulations, and fewer legislative changes, will enable business to get its bearings and put its entire strength back of the President. The best element in Congress and the various legislatures, the element that stands for progress and the accomplishment of those things that are worth while, can perform no better service than to prevent the enactment of laws and the enforcement of regulations that are too harsh and restrictive. Uncertainty, the mother of fear, breeds timidity, halts business, and, if not removed, results in depression. There is no occasion for worry if the policies to be adopted and carried out are wise and definite, and made known without too much delay. There is abundant cause for worry, however, if this should not prove true. We might as well face the proposition squarely and unflinchingly. The nation (and business is part of the nation) that deceives itself, lulls itself into a false belief that it can withstand the shock of dire threats of all manner of regulations and of conscription of property and income, submits to delay as to when or where such threats will stop and how many of them will be carried out—the nation, I say, that misjudges the effect of that sort of talk and assumes that all will be serene, will be lost in any great undertaking.

As loyal citizens, let us importune Congress and the administration to settle these matters of doubt speedily, with the facts clearly in mind, and coöperate with business by giving it that encouragement which will enable it to go ahead with determination and confidence. Whenever prejudice is injected into the settlement of any question, trouble begins. In the past, too much prejudice has been engendered against big business. For the sake of harmony and efficiency, no more attacks should be aimed at business merely on account of its size. Heretofore there has also been much restrictive legislation against business on account of the magnitude of some of its units. We are more enlightened upon this point now, and there is more of a disposition to encourage the great manufacturing and mercantile enterprises as a patriotic duty. This is no time for partisan politics. Party differences should

be confined to fundamental principles, and should not be permitted to descend to the petty quarrels of obstructionists. President Wilson is broad-gauged, and is coöperating with business in such a way as to inspire the greatest effort upon the part of business men. This coöperation is rapidly overcoming the baneful influence of past persecution. It is demonstrating how very much better business might have prepared to do its part if it had been less subject to attack in recent years.

We are facing forward, and should now and forever wipe out all these damaging notions about business needing a particularly strong brand of legislation and regulations simply because it is big. What would we do to-day without the tremendous aggregations of capital engaged in transportation, mining, steel making and lumbering? We should be at the mercy of the enemy, for, stripped of these concerns of great size, it would be utterly impossible to get deliveries of copper, iron, steel and lumber in sufficient quantities. We must have big business, and the bigger the better in this war crisis. In all my talks with business men I have found no intimation of a disposition to hold back, nor have I heard one word of criticism by any business man regarding the amount of money that is being spent by our government in this war. The reverse is true. Unreservedly and patriotically they are supporting President Wilson.

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Look now at what the bankers and bond houses have done. Here I can point to quite as much unselfish coöperation upon their part, and in one transaction, at least, coöperation that involved heavy expense. They knew the law stipulated that no commissions should be paid for floating the Liberty Loan, and that the provision for expense was so meager, considering the magnitude of this piece of financing, as to preclude reimbursement for even the postage they might use in connection with the sale of the bonds. Still these men formed big groups, took their salesmen out of the regular bond market and labored night and day to secure full subscription to the loan.

In addition to their usual functions of supplying the normal demands of our own population, and the unusual burdens of furnishing the tremendous quantities of food and equipment

for our army and navy, upon the business men of the nation rest certain responsibilities in the matter of helping to mold a sound public opinion on vital topics.

Now is the time, above all others, for us to follow economic law and common-sense principles as our guide. We know that wars create extra hazards, without as well as within the zone of actual danger. There is more of uncertainty in the routine of everyday affairs when nations are arrayed against each other. There arises a pressing demand for the implements of war, for things that require special tools and machinery which will be worth little more than scrap after peace is declared. Munition plants are essential, and somebody must take the risk of their erection, knowing that when hostilities cease their value practically will be destroyed. Furnaces and mills cannot deliver enormous tonnages of iron and steel except by a considerable enlargement of plants. Therein lies the chance of developing a capacity far beyond that warranted by ordinary conditions of trade, and of being caught with heavy tonnages on hand, made ready for delivery on a high cost basis, when the possible slack comes at the cessation of war demands. The uncertainties of war are such that no man can foresee the day of reckoning.

Wages increase and production costs rise. During the ancient conflicts at arms, as well as the Napoleonic and Civil wars, speculation and inflation occurred, food and merchandise grew to be scarce, prices rose alarmingly and there was much complaint. These things have happened recently, and wise treatment of the problems they present is vital to the success of the Allies. Business men who, by reason of years of experience and daily study have intimate knowledge of the matters involved, should have something to say about the method of settling them.

We must not lose sight of the fact that in times such as we have witnessed since August 1, 1914, consumption of food and the use of materials by men at the front increase greatly over what would be the case if the same men were following their regular occupations. The diversion of materials from customary uses is enormous, and there is a heavy drain upon productive forces by withdrawals from the ranks of the workers to send men to the front. These two important price factors

do not operate except in great wars. Up to the present, due to intensified effort, with all our men employed at the highest wages of which we have any record, we have added to our own output, but this is not true of other leading export countries. Aggregate production, the world over, is diminished, and everybody scrambles for whatever is on the market. The buyer virtually makes prices.

The rise in prices has been due partly to speculation, of course, but mostly to the law of supply and demand, which in the long run, is the only logical regulator. I can readily understand, however, that with conditions strained as they are now in all civilized countries, there might be an excuse for attempting temporarily to set aside the complete control of this law. I agree with those who contend that prices may go to an unbearable level, to a figure that would place the necessities of life, or of business, which in its broadest sense and under our complex civilization, is so necessary in sustaining life, where some power must step in and say the public welfare is endangered. It is conceivable that a condition might be reached that would crush the power of the nation through inability to obtain food to nourish the laborer and his family and materials to keep the wheels of commerce turning.

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We are not fighting for ourselves and our Allies alone but for future generations as well, and in all fairness the burden of financing the war should be divided. Those who come after us and enjoy the freedom which will be bought by our contributions of men, materials and money cannot object if we transmit to them the privilege of sharing in the money cost. If repayment of the extraordinary amounts raised to carry on the struggle be spread out over a term of twenty-five or even fifty years, no injustice will have been done those who may be required to retire the last of the bonds. Precedents approve this course. For decades after the Civil War we were paying taxes to settle the cost, which was infinitesimal when compared with present day disbursements. We ought to be as fair to ourselves as to our descendants.

There is one detail that is fraught with too much danger to be overlooked. The plan to be followed in collecting revenue for the government should cause as little disturbance as

possible in the financial world, and therefore it seems to me that quarterly payment of taxes should be arranged. It is easier to pay five hundred millions each quarter than two billions at one time. Many industries are using not only all of their capital but all of their credit in the conduct of their business, and to be called upon to pay a large sum of money out of earnings that are still in the process of collection will work hardship upon business men and strain the resources of the banks.

So far as is practicable, we should strive for an equitable distribution of the fruits of labor and industry. We cannot deny that labor deserves very careful consideration if we are to get the best results in all directions, and business men can well afford to devote much time and effort to improving the relations of employer and employee. A clearer understanding by each of the problems of the other would be most beneficial. We must all surrender some of our pre-conceived notions of our individual rights touching the service we owe the community when threatened by a common and powerful adversary. There must not be any laggards or slackers anywhere in the ranks of the army of business or of labor.

There is urgent need of speeding up. We are constantly trying to induce the farmer to cultivate more acres with a thoroughness that will enhance the yield of his crops. We plead with the owners of coal, iron and copper mines, steel mills and smelters and the factories for a larger output in order that we may help to win the war. Why is it not fair to ask labor, as a patriotic duty and a war measure, to consent to some changes that would be of incalculable assistance in ridding mankind of the yoke of oppression fashioned by Prussian overlords?

No one claims that there are not occupations and trades wherein the tension is so great and so much centered upon certain nerves as to injure the operative's health if the hours of employment exceed eight. Under such circumstances, eight hours should constitute a day's work. There are numerous occupations, however, of which this is not true; and there is absolutely no reason why these laborers should not, so long as the war lasts, focus attention upon increasing hours of labor and output. I do not advocate the denial of the best

possible working conditions and just compensation even under the stress of war, but some things are impossible and not to be expected, and we should all be willing to make sacrifices to render effectual the efforts of our armies and thus lessen the loss of life and limb among our young men who go to the front.

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The natural result of government financing through the sale of bonds to the people will be to transfer money from the West and concentrate it in the East. Since the West will have no effective means of replenishing its stock of money, except through the sale of live stock and seasonal crops, the tendency will be to create a scarcity of funds in the West and a congestion in the East. This can largely be overcome if government orders are well distributed throughout different sections of the country. It is not so much a question of favoring one city, state or geographical division as against another, as of maintaining the equilibrium of business in all parts of the country. This course will keep the West in funds with which to pay for future issues of Liberty Bonds.

In our entire history we have not had to deal with so vital a problem as the one presented by this war, and decisive victory for the United States and the Allies is the essential point upon which all our energies must be concentrated. It is so vital as to overbalance the ambitions of individuals and groups. It is therefore the solemn duty of every business man, no matter in what he may be engaged, to emulate the example of the hundreds of thousands who have already subordinated their own business, their own interests, to the one great task.

No matter what previous opinions we may have entertained: no matter what we may charge to lack of coöperation between government and business in the past, no matter what our own ideas of the future relations of government and business may be, our paramount duty for the present is to rise above all selfish considerations, all jealousies, all prejudices and give the nation the best there is in us.

JOHN DAVISON ROCKEFELLER, JR.

THE PERSONAL RELATION IN INDUSTRY

[John D. Rockefeller, Jr., was born in Cleveland, Ohio, in 1874. Since his graduation from Brown University in 1897 he has been associated with his father in business enterprises and has been active in philanthropic work. He is Chairman of the Board of the Rockefeller Foundation and director in various humanitarian enterprises. In recent years Mr. Rockefeller has given special attention to social and personal relations in modern industry, as well as to large schemes for religious and social betterment. This address was given at Cornell University on Founders' Day January 11, 1917.]

I AM glad to have this opportunity of speaking to you men, numbers of whom will be the future leaders in industry. Heretofore the Chief Executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers. The time is rapidly coming however when the important qualification for such positions will be a man's ability to deal successfully and amicably with labor. Yet how to do this is a subject which, I fancy, is never taught or referred to in the classroom.

Like knowledge of the problems of sex, than which no department of life is more sacred, vital or deserving of full and ennobling instruction, an understanding of this subject is left to be acquired by experience, often costly or bitter, or through chance information, gleaned too frequently from ignorant and unreliable sources. Just as the first of these two themes is coming to be taught sympathetically and helpfully in our schools and colleges, so I believe the second, the personal relation in industry, will eventually be regarded as an important part of those college courses which aim to fit men for business life.

After all, is it not the personal relations with one's fellows which, when rightly entered into, bring joy and inspiration into our lives and lead to success, and which, on the other

hand, if disregarded or wrongly interpreted, bring equally sorrow and discouragement and lead to failure?

Think what the ideal personal relation between father and son may mean to both. Some of us have known such contact. Our lives have been fuller and richer as the result, freer from sin and sorrow. Others of us know from bitter experience what the absence of this relationship has involved. How helpful to a student is such a friendly association with some professor who commands his confidence, respect and regard, and who is interested in his college work, not for itself alone, but quite as much because of its bearing on his future life's usefulness. What would college life be without the personal relationships which are formed during its happy days and often continued close and intimate through life?

Can you imagine a successful football team composed of strangers, having no points of contact, no sympathy with each other, no common cause inspiring them to strive for victory? Team play, the support of one player by another, would be well nigh impossible. Even in the army, where formerly the man who had become the most perfect machine was regarded as the best soldier, it is coming to be accepted that in addition to being obedient and subject to discipline, the man who thinks, who is capable of acting on his judgment when occasion arises, who is bound to his fellow soldiers and his officers by personal friendliness, admiration and respect, is a far more efficient soldier. And whereas formerly, particularly in the armies of Europe, privates were not allowed to have any personal association or contact with their officers, we hear that in the present war a spirit of comradeship is developed by the officers with their men off duty, which personal relationship is building up rather than weakening the morale of the armies. What is true as to the relationships which I have mentioned is equally true in industrial relations, and personal contact is as vital and as necessary there as in any other department of life.

Let us trace briefly the history of the development of industry, that we may see where this personal relationship is present, where absent, and what is the effect of its presence or absence. Industry in its earliest forms was as simple as it is complex to-day. The man who provided the capital was frequently the

director, president, general manager and superintendent of the enterprise, and in some instances actually worked with his employees. These latter were few in number. They were usually born and brought up in the same community with their employer, his companions in school days, his friends and neighbors, often calling him as he did them by the first name.

There was daily contact between employer and employee, and naturally if any questions or causes for complaint arose on either side, they were taken up at the next chance meeting and adjusted. Next came the partnership, a development necessary because more capital was required than a single individual cared to or was able to provide. Two or more partners were thus associated together, but otherwise the situation was not materially different from that just described, except that more employees were required.

With the invention of the steam engine and its application to railroads, which quickly began to make their way over the face of the earth; with the development of the steamboat, replacing to so large an extent the old sailing vessels and making possible the regular and frequent transportation of the products of the soil and of industry from one part of the world to another; with the perfecting of the telegraph, cable and telephone, there came the need for larger aggregations of capital in order to carry on the ever-expanding industries that were required to keep pace with this growth. This led to the development of the corporation, the capital for which was supplied in larger or smaller amounts by few or many individuals, thus making possible almost indefinite financial expansion. And this form of business has continued to grow, as commerce and industry have become not only national but international and world wide in their extent, until we have today the United States Steel Corporation, with its 120,000 stockholders and its 260,000 employees.

It stands to reason that corporations of such magnitude have necessarily become highly specialized. The responsibility of an individual stockholder in a corporation is of course in proportion to his interest, but the function of the stockholders in general consists in casting votes each year for the election of directors to represent their interests. The directors in turn are

charged with the general responsibility of developing the policies of the corporation, some of which are matured by the officers, of selecting its officers and of seeing to it that the corporation is properly managed. The officers as the executives of the company carry out the company's policies and are charged with the actual operation of the company and the employment of labor.

As we contrast this gigantic organization with the simple form of industrial organization first described, it is at once apparent that in the very nature of the case the man who supplies the money seldom if ever comes in contact with the man who supplies the labor. Here we note a marked and serious change. While deplorable, this situation is practically inevitable. Frequently the industry in which a stockholder has invested his capital is located in a far distant city. Not only this, but often investments are made in corporations which conduct business in other countries almost at the ends of the earth. As a result of this lack of contact between labor and capital, the personal relationship has disappeared, and gradually a great gulf has grown up between the two, which is ever widening.

It is regrettably true that there are capitalists who regard labor as their legitimate prey, from whom they are justified in getting all they can for as little as may be. It is also true that on the part of labor there has been a growing feeling that it was justified in wresting everything possible from capital. So these two great forces have come too often to think that their interests are antagonistic, and have worked against each other, each alone seeking to promote its own selfish ends. This has resulted in the strike, the lockout and the various incidents of industrial warfare so regrettably common in this day and apparently on the increase.

Reports of the United States Bureau of Labor Statistics show that for the first eleven months of 1916 there were 3,134 strikes and lockouts in the industries of this country, as against only 1,147 for the corresponding period of 1915. These industrial conflicts have in some instances come to be little short of civil war; vast sums of money have been lost by both sides, untold hardship and misery have followed in their wake.

I have not had access to data showing the cost to this country of strikes and lockouts. However, the following quotation

from a recent address made by Mr. Frank A. Vanderlip, President of the National City Bank of New York, throws light on the subject. Mr. Vanderlip said:

"The cost of the recent garment-workers' strike in New York City has been estimated to be in the neighborhood of fifty million dollars.

"The last anthracite coal strike in the short course of five months caused a loss of one hundred and twenty million dollars to employers and employees in the community.

"I have seen the statement that in a single year the losses that can be attributed to labor disturbances in this country total more than a billion dollars."

These are extraordinary figures, and though some of them are doubtless merely estimates, they serve to show what enormous proportions the industrial problem has assumed and how serious and vital a question it has become.

May I add that almost beyond belief as these figures are, they do not include those terrible mental and moral losses growing out of struggle and conflict, nor do they take account of the depleted bank balances of the workers, and the hunger, suffering and distress which extend into the homes and which touch the lives not only of those immediately concerned, but of tens of thousands of innocent women and children.

What I have said leads me to advance two ideas, both of which I believe to be profoundly true, but which have received far too limited consideration.

The first is that labor and capital are naturally partners, not enemies.

The second, that the personal relation in industry, entered into in the right spirit, gives the greatest promise of bridging the yawning chasm which has opened up between employer and employee.

The mistaken point of view in regard to the relation between labor and capital exists on the part of both labor and capital as well as among the interested and disinterested public. Too often capital regards labor merely as a commodity to be bought and sold, while labor not infrequently regards capital as money personified in the soulless corporation. It might seem that technically speaking both of these definitions could be justified, but they are far from being comprehensive and adequate. For both labor and capital are men—men with muscle and men with

money. Both are human beings and the industrial problem is a great human problem.

This is one of the first things we need to recognize, and it is just because human nature is involved in this problem that it is so intricate and difficult to solve.

The popular impression that from the very nature of the case labor and capital are two great contending forces arrayed against each other, each striving to gain the upper hand through force, each feeling that it must arm itself in order to secure from the other its rights and its just dues, is even more unfortunate than it is untrue. I cannot believe that labor and capital are necessarily enemies. I cannot believe that the success of one must depend upon the failure or lack of success of the other. Far from being enemies, these two factors must necessarily be partners. Surely, their interests are common interests, the permanent well-being of neither can be secured unless the other also is considered, nor can either attain the fullest possibilities of development which lie before both unless they go hand in hand. Only when the industrial problem is approached from the point of view of a firm belief in this doctrine is there any hope of bringing about closer, more healthful and mutually advantageous relations between these two forces.

If, therefore, my first statement is true, namely that labor and capital are partners, then certain things must follow. They must have contact. This standing aloof one from the other must end. Partners know each other, they rub elbows, sit around the same table, come to understand each other's point of view. Respect grows in the heart of each for the other, confidence is developed, and they come to realize that they are working with a common interest for a common result. But this attitude, this relationship, is the personal relation in industry. Nothing else will take its place, nothing else will bridge the chasm of distrust and hatred.

It is the recognition of the brotherhood of man, of the principle of trying to put yourself in the other man's place, of endeavoring to see things from his point of view. The old saying that honesty is the best policy is often scoffed at and pronounced unpractical, but there never was a truer saying. Hon-

esty is the best policy. You may be able to deceive a man once or twice, or if he is exceptionally gullible, half a dozen times, but you cannot deceive him indefinitely. You may be able to deceive a number of people sometimes, but you cannot deceive all of the people with whom you have business dealings all of the time. You may be able to make a contract which gives you an unfair advantage of the other man, but the chances are that you cannot do it twice.

From a purely cold-blooded business point of view, honesty *is the best policy.* Likewise do I say that to treat the other man as you would have him treat you is an equally fundamental business principle. This does not mean that you should surrender your rights or neglect to avail of your opportunities. It simply means that in the game of business, the same rules of sportsmanship should prevail as in a boxing bout, in a match at golf, or a football game. Play fair and observe the rules. Let the contest be clean, gentlemanly, sportsmanlike, a contest always having regard for the rights of the other man.

Assuming, then, that the personal relation is a vital factor in successful industrial life, but recognizing the impossibility in this day of big business of reproducing it as it existed between employer and employee in the early days of industrial development, how can a like result be brought about, how can personal contact be established?

Granting that it is impossible for the stockholders of a great corporation, to come into frequent or even semi-occasional contact with their partners, the employees of a company, and that the situation is much the same with the directors, at least it is possible, and must be made increasingly so, for the leading representatives of the stockholders and directors, namely the officers of a corporation, to have such contact with the employees, special officers being appointed for that purpose alone if necessary. Because of the vast numbers of employees in many a company, even this is difficult and altogether too infrequent to-day. As the officers of our great corporations come to see more and more that the problem of understanding their employees and being understood by them is a vital problem, one of the most important with which the management is confronted, they will be convinced not only of the wisdom of devoting far more time to such contact, but of the desirability

and the advantage to themselves, and to the employees as well as to the company, of such closer relation and intimate conference in regard to matters of common interest and concern.

If we look into our own experience, we find that the misunderstandings which we have had with other men have been largely the result of lack of contact. We have not seen eye to eye. Men cannot sit around a table together for a few hours or several days perhaps and talk about matters of common interest, with points of view however diverse, with whatever of misunderstanding and distrust, without coming to see that after all there is much of good in the worst of us and not so much of bad in most of us as the rest of us have sometimes assumed.

But some one says, "We grant the desirability of the personal relation in industry. Theoretically we accept your suggestion as to how this theory can be put into practice in the industrial life of to-day, but practically, will it work?"

I can best answer this question by saying that such a program has been put into operation in a certain coal company in Colorado, in which my father and I are interested and of which I am a director. If you will pardon a personal reference, may I say that when I visited Colorado some eighteen months ago, I had the opportunity of talking personally with hundreds, if not thousands, of the employees of that company. These men and many of the people of Colorado had formed their opinion of any one bearing the name of Rockefeller from what they had read and heard. Because of certain industrial disturbances which had developed in the state, bitterness and hatred had existed to a high degree.

As I went from camp to camp I talked with the representatives of the men individually and privately, I went into the men's homes, talked with their wives and children, visited their schools, their places of amusement, their bathhouses, and had just such friendly relations with them as any man going among them would have had. Frequently I found points of difference between the men and the officers, but in no single instance were the men as I met them other than friendly, frank and perfectly willing to discuss with me, as I was glad to discuss with them, any matters they chose to bring up.

It often occurred that there was justice in the points which they raised and their requests were acted upon favorably by

the officers. Also frequently situations were presented in which it was impossible for the company to meet the views of the employees. But never was a subject dismissed until, if unable myself to make the situation clear, the highest officials of the company were called to explain to the employee with the utmost fullness and detail the reasons why the thing suggested was impossible. No matter presented was left without having been settled in accordance with the request of the employee, or, in the event of that being impossible, without his having been fully convinced that the position of the company was just and right and in the common interest.

This personal contact with the employees of the company led to the establishment of mutual confidence and trust and to the acceptance on their part of the premise that they and we were partners. The men generally came to see that the man about whom they had heard was very different from the man whom they had met in their homes and at their work. While they distrusted the former, they believed in the latter. Before I left Colorado, a plan of industrial representation, providing for close personal contact between the duly elected representatives of the men and the officers of the company, was worked out and adopted by a large majority vote of the employees.

I will not take your time to describe this plan, but in substance it aims to provide a means whereby the employees of the company should appoint from their own number as their representatives men who are working side by side with them, to meet as often as may be with the officers of the corporation, sometimes in general assembly, where open discussions are participated in and any matters of mutual interest suggested and discussed; more frequently in committees composed of an equal number of employees and officers, which committees deal with every phase of the men's lives—their working and living conditions, their homes, their recreation, their religion and the education and well-being of their children. In brief, the plan embodies an effort to reproduce in so far as is possible the earlier contact between owner and employee.

I do not venture to make any prediction as to the ultimate success of the plan. Two interesting side lights, however, may be mentioned. The first is that whereas the plan itself and

an agreement covering working and living conditions were adopted by the coal miners employed by this company some fifteen months ago, since that time the same plan and agreement, adapted to the particular requirements of the steel workers, and also of the iron miners employed by the company, have been adopted by both.

The second, while the company has reopened a number of mines formerly idle and is now working quite to the limit of its capacity in the production of coal, it has all the labor at its various mines which it requires, and that too without having made any special effort to attract labor to its recently reopened mining camps. At the same time, other coal companies in the state of Colorado, as well as generally those throughout the United States, are understood to be having difficulty in securing an adequate supply of labor.

But there is a further reason why the personal relation in industry is of such vital importance, and that is in order that the attitude and purpose of the owners and directors of a company may be rightly understood by and interpreted to their partners, the employees, and vice versa; also that all grievances may be taken up and adjusted as they arise.

How true it is that when some petty representative of a great corporation makes a sharp trade with a customer, the customer at once says, "Obviously, the president of this corporation is a dishonest and unscrupulous man. It must be that he has directed his agents to pursue these sharp and crooked practices." However high minded the owners or directors of a company may be, it is of the utmost difficulty to guard against such practices on the part of an occasional representative. But it is obviously just as unfair on such grounds to maintain that the owners and managers are unjust and crooked in their business methods as it would be to say that the whole tree was bad, simply because one apple on it had spots or imperfections.

The employee in any corporation must form his opinion of the owners and directors of the corporation from the petty officer or foreman with whom he has personal contact. Too often these men, not infrequently promoted from the ranks, become overbearing and arrogant in their treatment of those under them. This very naturally is as irritating and unjust

to the employee as it is distressing to the company, and it is at this point in ninety-nine cases out of a hundred where grievances arise.

The Colorado Industrial Plan to which I have referred has been so drawn as to guard against the exercise of arrogance or oppression, by providing various channels through which the employee with a grievance can at once secure a sympathetic and friendly hearing, carrying his difficulty to the president's ear, if necessary. The foreman who knows that any arbitrary or unjust action on his part may be reviewed by his superior officers is very much more careful in his treatment of his men, always wanting to avoid having his decisions reversed.

If a slight scratch made on the finger with a rusty nail is immediately cleansed with an antiseptic wash, it heals at once. On the other hand, if the poison which has been introduced is allowed to remain, soon inflammation sets in, the disorder spreads, and serious menace to life may result. And so it is with the petty grievance. If it is dealt with sympathetically and justly, immediately it is made known, peace, harmony and good will are readily maintained. On the other hand, if indifference is shown and lack of sympathy, the grievance is nursed and from it grow the industrial disorders which later become so acute and difficult to heal. An ounce of prevention is worth much more than a pound of cure. In no place is this saying truer than in dealing with human nature.

If I were to sum up in a few words what I have been endeavoring to say to you in regard to the personal relation in industry, I should say, apply the Golden Rule.

Every human being responds more quickly to love and sympathy than to the exercise of authority and the display of distrust. If in the days to come, as you have to do with labor, you will put yourself in the other man's place and govern your actions by what you would wish done to you, were you the employee instead of the employer, the problem of the establishment of the personal relation in industry will be largely solved, strife and discord as between labor and capital will give place to coöperation and harmony, the interests of both will be greatly furthered, the public will be better served, and through the establishment of industrial peace, a great stride will have been taken toward the establishment of peace among nations.

CHARLES M. SCHWAB

HOW TO SUCCEED

[Charles M. Schwab is a striking example of success. The story of his life makes a most interesting chapter in the great book of romance in American business. He was born at Williamsburg, Pa., in 1862 and as a boy drove a stage from Loretto to Cresson in Pennsylvania. While still a mere boy he entered the service of the Carnegie Co. as a stake-driver in the engineering corps of the Edgar Thompson Steel Works. His promotion was rapid. He became Superintendent of the Homestead Steel Works when he was 25; General Superintendent of the Edgar Thompson Steel Works when he was 27; President of the Carnegie Steel Co., Ltd., when he was 35 and President of the U. S. Steel Corporation at 39. There will be found elsewhere in this volume (page 243) the address of Mr. Darwin P. Kingsley on presenting a bronze tablet in behalf of the New York Chamber of Commerce in commemoration of Mr. Schwab's service to the country during the War. As Director General of the ship building of the U. S. Shipping Board Emergency Fleet Corp. his great energy and enthusiasm were of incalculable benefit. This address was given at Princeton University March 16, 1920. It is of especial interest as a direct and informal talk from a leading capitalist to an audience of boys just facing the responsibilities of life.]

To-night I have not made a single bit of preparation except the preparation that may come to one on the spur of the moment who imagines himself to be young again, who imagines himself to be one of you, who looks back with the pleasure that I would feel if I were one of you and talks to you as an older boy who has been through a great many years of experience in a more or less personal manner. If I do talk in this way, I hope you will pardon me if I talk about myself or my industries or things of that sort. I do so only with a view of your better understanding and appreciating the points that I want to make to you.

For the first time, this evening, down at the clubhouse, I saw the subject that I was to lecture upon. Well, I don't suppose it makes much difference what was on the bulletin boards, but it's rather what I may have to say to you that will interest

you. Here you young men, next year or within a few years at least, will be ready to start out upon an active life of usefulness in this country, and you want to hear from one who has been through the turmoil and strife of industry for many years about what are the qualifications, what are the things that attract attention, and what are the things that will lead to your greater and better success in life.

And, before I start that, I want to tell you what I think of what success in life means. I told these good-looking young gentlemen in evening suits down at the dinner table this evening—and I never had a more delightful dinner—I don't mind saying that I never talked quite so much and never to a more interesting crowd, but what I did say to them, and now tell you, is defining what I mean by a successful life, and it will bear repetition.

I know that it is very difficult to convince the great majority of people that men who are in active pursuit of life have any other object in view than the making of money. Well, now, boys, that is a great mistake. The real leaders of industry and the real men in life, and the real successes in life, are not always the men who have made lots of money or a great fortune.

My idea of the successful life is the man who has successfully accomplished the objects for which he set out, to do something that is worthy of a real American man. Money is often a matter of chance or good fortune, and is not the mark of a successful life. And while I have some money—not much since I paid my taxes, boys—it is not the thing that brings a throb of pleasure or a thrill into my life. And I would not pose as a successful man if that was to be the measure. But when I look about me and see the multitude of friends that I have after forty years of business association with men, when I see the great lines of smoking stacks and blazing furnaces that have come into being because of my interests and activity in life, and when I see a work that I set out to do successfully accomplished and meeting the approval of my fellow men, then a real thrill comes into my heart and I feel that I have done something worth while. The money one doesn't think about as long as you have enough to pay your bills and keep your business going.

I said in a speech in Pittsburgh a short time ago, with reference to my dearest friend that I ever had in life, Andrew Carnegie, that he used to say to me when I went to him with my balance sheet and showed him how many hundred thousand dollars we had made that month or year, "That's interesting, but show me your cost sheet." That is the mark of successful manufacturing, how economically and how well you do a thing, not how much money you make in the doing of it. So, boys, his mark—and he was a wise man—his mark of a successful industry is my mark of a successful life. Set out with some definite purpose in life and accomplish that purpose.

I was not able to place the quotation myself, but your honored President here, a doctor of philosophy, told me this evening the name of the philosopher who said it, and that was that there is little that the human mind can conceive that is not possible of accomplishment. Now, the thing you want to do is to make up your mind what you are going to drive for, and let nothing stand in the way of its ultimate accomplishment. Why, boys, one of the greatest pleasures in life to me is to have the recognition from such a body of young men as you are here to-night, to have you say, "We would like to hear something from the man that we think has been successful in some things in life." I had rather have it than millions. It brings more pleasure and more satisfaction.

Now, in my long experience in business life and association with men, there are some fundamental things that must not be overlooked.

If I were asked to say the most important things that lead to a successful life I should say that, first of all, was integrity—unimpeachable integrity. No man can ever do anything of any great value in life and have the confidence and approval of his fellow men or be successful in his undertakings with other business men if he doesn't have the reputation of being a man of honor and integrity.

And I don't mean by that that a man shall be so high in the moral and social state of life that he is incapable of any action that might not be regarded as always right, but I have the highest regard for a man who, when he has done something wrong, manfully admits it and constantly sticks to the truth of integrity, however much it may seem to hurt.

I am going to speak of a young man that I regard as the most successful young man I have ever known. And if I did not regard him as the most successful young man that I know, he would not be the President of the Bethlehem Steel Company. I am going to speak of a young man that I have known since he was a man your age—I refer to Eugene Grace. You may have heard of him—and you baseball fans undoubtedly did—because he came down and played baseball at Princeton many years. He came from Lehigh University. When I first knew him he was a shoveler of coal with an electric crane. I followed his career on and on and on. And whatever may have been said of Mr. Grace you could always depend upon it absolutely that when Mr. Grace said a thing you would know the absolute facts, good, bad, or indifferent. And, to-day, Mr. Grace stands among the great business men of New York and this country, with the reputation of being a man with absolute integrity and a man upon whom everybody can place the greatest possible confidence.

That is the very foundation of a successful life. With this to start upon, then the other is going to be easy going and easy following.

You can make up your mind to do one of two things: You can have a good time in life or you can have a successful life, but you can't have both. You have got to make up your mind at the start which of the two you are going to have.

There is no royal road to a successful life, as there is no royal road to learning. It has got to be hard knocks, morning, noon, and night, and fixity of purpose.

Never has there been a time in the history of the world when so much opportunity offers for the leading of a successful life as to-day. What would I not give to be one of your age again, and have the opportunity of starting life afresh! You think the opportunities of the past will not be the opportunities of the future. In that, boys, you make a mistake.

When I first started in the steel business the whole United States produced only 1,000,000 tons of steel in a year. That was about 1880. In 1890 we had got to 8,000,000; in 1900, to 12,000,000, and in 1920, we have got to 45,000,000 tons of steel annually. Now, we thought twenty years ago that the

steel business had reached its zenith. We are just as far from the zenith to-day during your normal lifetime as we were from the zenith twenty years ago.

I don't say you shall become manufacturers or business men or professional men—I don't know what you are going to be. But this I do know: That any man who goes into anything in life and does it better than the average will have a successful life. If he does it worse than the average his life will not be successful. And no business can exist in which success cannot be won on that basis. If it did exist, and nobody could make a proper success or get a proper return from it in life, the business would tend to go out until it would reach a basis on which it could be profitable.

Another important thing is loyalty.

Now, that is what you boys in universities and colleges learn. You learn loyalty to your Alma Mater. You learn loyalty to your fellow students. You learn loyalty to the friendships that are going to follow you through life. The one thing that you are distinctively in the university is that you are loyal men. Be loyal. What little success I may have won in life I attribute to the loyalty I had for a dear old friend who was my first steel master, whom you perhaps have never heard of, Captain Bill Jones.

Captain Jones was a great mechanic, just a natural genius at mechanical things. No education at all. He knew nothing of engineering or chemistry or the sciences. Now, I was thrown in, fortunately, with him. I made up my mind that I could be very useful to that man by learning things that he could not learn, and, above all, by being loyal to him and never letting the world know that the things for which he received credit were not his own creation. Boys, did you ever stop to think that a great man in life who has won great acclaim and great reputation is the very man who is willing to share and give the honor to others in the doing of the things that made him great? The man that will selfishly stand along and proclaim that he is the man who has done these things never is the man who really did them. My own experience is that there is no real effort in life that is not done better under encouragement and approval of your fellow men. A man goes along then with greater confidence. You must learn to let others

share with you in that which you are doing, and honor and credit will be reflected upon you for so doing.

Marshal Foch, the great commander, said to me a short time ago, when I congratulated him upon the wonderful work of the war: "This great military staff is like an orchestra, and each one fills his place. Each is equally important in the functioning of the whole. If the baton is in my hands it is merely a matter of chance, but we shall see to it that each man in this staff gets recognition for that which is due." You never heard a great man say, "I did this," or "I will do that."

In the management of my great enterprises I have yet ever to find fault with any man. If a man is of the character that you must find fault with him to get the best out of him he is not a man to be desired in an organization. Show me the man that will do his best under approval, and I will show you the man that has within him the elements for successful going ahead.

Now, to come back to loyalty.

Be loyal to the people with whom you associate at the start.

When this good Captain Jones came to the end of his life's work, do you not suppose it was worth more to me than anything else to have him say: "That is the man that helped me do these things"?

Remember always that it will but attract attention and credit to yourself to share it with those who help you. Be loyal when you start life, boys, wherever you start. Make your employer feel truthfully that you are sincere with him; that you are going to promote his interests; that you are going to stand for the things which he represents; that you are proud of being a member of his staff, and there is nothing that will reap you a richer reward.

Loyalty above all!

Boys, there are other things in life than mere work. I believe an appreciation of the finer things in life, the learning to know the beauties of literature and art and music, will help any man in his career. A man to carry on a successful business must have imagination. He must see things as in a vision, a dream of the whole thing. You can cultivate this faculty only by an appreciation of the finer things in life. No active business life, whether it is manufacturing or something else,

can prevent you from enjoying the beauties of life. These finer things will contribute to your success.

Be friends with everybody. When you have friends you will know there is somebody who will stand by you. You know the old saying that if you have a single enemy you will find him everywhere. It doesn't pay to make enemies. Lead the life that will make you kindly and friendly to every one about you, and you will be surprised at what a happy life you will live.

I said, coming down in the carriage, "What would I not give to be your age again!" I have not a single regret in life. The hardships that have come to me in life have but made me the keener enjoyer of the good things in life. I tell a story of a German workman I had years ago, and a saying of his that I adopted as a motto in life. We were having labor difficulties at the mill. He was a loyal fellow. The workmen picked him up and threw him into the river one day because he had reported for work. He came into my office all covered with mud and water to tell me what had happened. I asked him what he said. He said, "I yust laughed." That's the thing to do—"Yust laugh."

I am going to tell you a little more—I am not lecturing tonight, but just talking as if you were in my drawing-room. I would just like to say to you what I feel, just as if you were my own sons.

I want to tell you a little more about this man Grace, because one often sees the points in a successful life best by analyzing a single individual. I told you of his great faculty of making good, no matter in what position he was placed. This boy went on and on. Above all, he worked hard with that brain of his which had been trained in the university to think and concentrate upon the subject that he was thinking about until he had reached a satisfactory conclusion. Now, that is the great point, to concentrate and think upon the problem in mind until you have reached a satisfactory conclusion in your own mind, and then finally go ahead. If you have made a mistake, all right. Never find fault with a man because he has made a mistake. It is only a fool that makes the same mistake the second time.

Now, in my own establishment you will be interested to

know something about how we do things. You boys will all, of course, have to start to work upon a salary. But the quicker you get out of working for a salary the better for all concerned. In our works at Bethlehem and San Francisco, and all over the United States, I adopted this system: I pay the managers of our works practically no salary. I make them partners in the business, only I don't let them share in the efforts of any other men. For example, if a man is manager of a blast furnace department he makes profit out of the successful conduct of his department, but I don't allow him to share in the prosperity of some other able man in some other department of the establishment. I give him a percentage of what he saves or makes in the department immediately under his own control and management. For example, if it takes a dollar a ton to make pig iron, and it takes him a dollar a ton to make pig iron, I say to him:

"Well, you are no better than the average manager over the country. Therefore you are entitled to only the usual wages. But if you can make pig iron at 90 cents a ton you are entitled to share with me in a large part of the profits. And if you make it for 40 or 50 cents a ton you share to a very large degree."

Therefore, I don't care how much a man earns. The more he earns the better I like him. And I pay in what I call bonuses to the various superintendents and managers of the different establishments more money for their successful management than I pay the stockholders of the concern in dividends. And it will surprise you to know the great sums of money that some of these men make. I would be afraid to tell you for fear of discouraging you in your start in life. But I don't mind saying that forty, fifty, sixty, a hundred thousand dollars a year for these men is not infrequent. And in the case of men like Mr. Grace, well, many, many times that.

It is a matter of common knowledge and it is a matter that has been published. And I am glad to tell you that in the carrying out of this principle, Mr. Grace has earned considerably more than \$1,000,000 a year. Mr. Lee knows Mr. Grace, and he knows that that statement is correct. It would run into several millions.

Now, I do the same with the working people. I say that a good workman is entitled to more pay than a poor workman. And, therefore, wherever it is possible we have our workmen paid for the amount of work they do. I know that is contrary to the general rules of trade-unionism, etc., but it is the proper economic basis that a man shall be paid for the work he does and proportionately to the work that he does. And so I carry this principle through every establishment that I have. The Bethlehem business is now the second largest business in the United States. It was exceeded only by the Steel Corporation last year. Other than that, it was the largest business in the United States, and I give it no more thought or no more attention and not as much as I have to my coming to be a guest of you boys here this evening.

In writing the organization for our establishment I say the President shall have no duties, and shall keep his mind free to survey and direct the whole affair, so as to have it go in harmony. I am so confident of the organization we have got that I find that they do better when the old man is away. I have never yet seen a record broken in any department when I was at all attending to business. It has always been broken when I have been away, when a man has been put upon his own mettle to show what he can do. But I am no boss. I let younger men run these great establishments, notwithstanding the fact that I own the greater part of them. The younger fellows get to learn that if they are successful they can run the old man around. After all, there is nothing so scarce in the world as competent and successful men in the management of a business. There is nothing we are so constantly looking for as that.

Now, to be more practical: A lot of you fellows are going out into life. Let me give you a bit of advice. If you have any influence in the world to get you a start in life, don't use it. The worst thing that can happen to a man is to start life with influence. He has got to do twice as well as the fellow that starts upon his own merits, because, after all, it depends on the general opinion of all those around you as to how competent and successful you are, and when everybody says that you do well because of the influence back of you, then you have got to do twice as well as otherwise. If you are going into any manufacturing establishment, don't go there by reason of any

influence you may have. Start upon your own merits, and start in some lowly position, no matter what it is. Be a laborer, if you will. I don't know but that is the best way to start.

A man educated in a great university is ten times the man who has not been educated in a university, if he will only learn that education in a university is not different from education in a workshop. You cannot be aristocrats unless you earn the right to aristocracy. And the aristocracy in the future is not one of wealth or university education, but the aristocracy of the men who have done something for themselves and their fellow men. And that is what will make the real man. That is the lesson that you have got to learn, and that is the lesson that so many of our college boys don't learn. They go into a great industrial or other establishment, and they imagine because they have a diploma from Princeton or Lehigh or Lafayette or some other college or university that they are in a different plane from the other men. Boys, unless you get that out of your heads you are going to learn the sorriest lesson you ever learned, because it won't succeed.

This great war has taught us many things. The one thing it has taught us above everything else is that the true life is the life of modern democracy and simplicity, that it is not one of show or of extravagance; that we are men, because we are men, and because we have the true instincts of men, and we are not men because we are rich or because we occupy a high social position or because we have influence. Now, that's the thing that boys from universities have got to learn; and they are learning it fast. And this war has taught us more than anything else that it is now in fashion, and it is in the most liberal sense the fashion, to be simple and to be democratic; that the real man is the man that will live in that way and derive more genuine pleasure and satisfaction in the doing of it than he imagined before.

I had a lesson brought home to me here to-day that I have been thinking of ever since. You have here in Princeton the daughter of my dearest friend, Mr. Carnegie, and I went to her home to see her to-day, to wish her the happiness that she deserves. I was the first one to see her but twenty-one or two years ago, and I saw her to-day. With all of her wealth and everything that she might have that the imagination might de-

vise, I saw her living in the simplest of cottages in the simplest and most unostentatious style and the happiest young woman it has been my privilege to meet for many years.

Now, boys, there is an object lesson for all of us. I have a great house in New York. I have a great country estate. About the only pleasure I get out of them is the fact that I have to pay their taxes and have enough money in the bank to do it with. I don't own the estate and I don't own the the house. They own me. My secretary made up one day a list of my assets and liabilities. I am not going to tell you what they were. But he had this great estate and house on the side of my personal assets. I said: "You are wrong; they are not an asset, they are a liability. Put them on the other side." So it is, boys. As I grow older I find I want to have simpler things about me, the truest of my old friends. And, boys, if you could know the joy of the long association and companionship with men such as I have known you would realize that you yet are to have such a compensation for old age as you have no idea of, and you are to enjoy the truest thrills that come to the life of any man.

Now, boys, I have talked to you a long time. I have talked because I love to talk to you, and I see how interested you look. Just one thing more. Go at your work. You may not find yourself the first year. You may start at work that you think will not be agreeable to you. Do not hesitate to change. If you find that it is not according to your tastes and ultimate ambitions, then change and go into something that is more pleasant. No man can be successful at work if he doesn't find the work he has to do pleasant. No man can ever do a thing well that he is not interested in. You boys will find in your classes that you do best in the things you like to do. When you start in life, if you find you are wrongly placed don't hesitate to change, but don't change because troubles come up and difficulties arise. You must meet and overcome and conquer them. And in meeting and overcoming and conquering them you will make yourself stronger for the future.

Then go on and select your work. Let us suppose you become a craneman. Suppose you become a clerk in a lawyer's office. Give the best that is in you. Let nothing stand in the way of your going on.

I am going to tell you the story of a man that came to see me in New York, Charles W. Baker, the President of the American Zinc Company, a very good friend of mine. Thirty years ago, as manager of the Homestead Mills, I went to Cleveland to see some plates that were being made. I got there at six o'clock in the morning. I had telegraphed the Superintendent that I would be there that morning. He was in the office. But, being early in the morning, I went right out to the works, thinking I might see something out there that would guide me in the making of these plates. When I got to the works I found this young man Baker, a stenographer and employee of the office, who had not been directed to go out there, but who thought when the works manager arrived out there he might want somebody to be on hand to meet him, and he was there, the only one that was there. And when I went back I said to the Superintendent: "Watch that young man. When you have a chance give him a chance, because he is in earnest." It wasn't long before Baker got to be his assistant. Later he was agent. Later I made him the general agent of the whole Carnegie Company. Later I made him a partner. Today he is many times a millionaire and the President of the great American Zinc Company in New York. That is the story. That one little thing helped him forward.

But don't believe, boys, that you can make opportunities for things like this. That will always fail. They must come naturally, and the only way that they can come naturally is to give your whole heart, give your whole soul, give your every thought, give your every act to the accomplishment of what you are going to undertake. If you will but make up your mind and determination to go through with what you undertake, you will have done more toward a successful life than you will have done in graduating from this great university, and you will do that which will bring you more genuine pleasure, satisfaction, and comfort in life than anything else you will ever do.

ON BEING AWARDED A BRONZE TABLET

[This address was given by Mr. Schwab upon receiving from the New York Chamber of Commerce a bronze tablet in recognition of his service in the War. The ceremony took place at the New York Chamber of Commerce April 18, 1921, and the address of presentation by Mr. Darwin P. Kingsley is printed in this volume on page 243.]

MR. PRESIDENT, GENTLEMEN OF THE NEW YORK CHAMBER OF COMMERCE:—My friends, accustomed as I am to public speaking over a good many years, I think I can say, with all truth, that never before have I felt quite the sense of embarrassment that I feel to-day; never have I quite felt that it was going to be so difficult to express all that was in my heart and mind. Words would be utterly inadequate to express the gratitude that I have in my heart at this moment.

Indeed, when I listened to your distinguished President's very eloquent speech, it was hardly possible for me to realize that I was the subject of it, and I was reminded of a little story, that, even in the dignity of this great body, I think I might repeat, as illustrating my position: When I was a young man, coming home from the mills one day, very proud of the importance of my position as manager, a working man's wife and little girl passed by, and the wife said to the little child, "Look, dear, that is Mr. Schwab in the buggy." I was seated in a buggy beside a colored driver, and the little girl immediately asked, "Which one, mamma?" [Laughter.]

Apropos of this distinguished honor, I want to tell you another story that I think illustrates my feelings very well. Possibly you have heard it before, but I am fond of telling it.

Just after the war, I was in England, and I met a soldier one day, who was decorated with medals from one shoulder to the other, and I said, "Now, there is some great and distinguished man whom I must meet and get his history," and, going up to the man, I asked him if he would mind telling me the circumstances that led to all these honors that he possessed, and he said he would do so with pleasure. He said, "Now, this one, this first large medal that you see on my left, I received by mistake, and I have had all the others given to me because I had the first one."

As I sat here, thinking of the honors that come to men, I could think of no honor that I should more highly prize than the honor possessed by the President of this great and distinguished Chamber of Commerce of New York—a man who reflects credit upon the Chamber, who is typical of the great men composing this Chamber, and who is human enough in his heart and in his soul to express the sentiments of appreciation for men, that we all neglect too much. [Applause.] That, to my mind, is true honor, and that, to my mind, is true American citizenship.

In my long experience with men and things, I have found that the best work and the best effort of every man who is worth while come under the spirit of approval of his fellow men; that you will never get the best that is in any man—individually or patriotically or in any other way—except under the stimulus of approval from the men worth while, whom he regards as his friends. [Applause.]

Your President, in his very kindly overdrawn speech, has so beautifully expressed his thought, that I wish to take this opportunity of congratulating him upon his splendid conception of that great principle.

Now, my friends, I have just returned from Europe, where I met many of the important people in the various countries, and discussed the situation, and it seems to me it would not be inopportune for me to say a little something to you about it.

The problems that pertained to the winning of the war were very great, and under the stimulus of excitement and patriotism, were wonderfully met, but even greater problems confront us now. The solution of these will require the intellect and the ability of America's ablest men; and that is what this great Chamber—the world's oldest business organization in point of continuous activity, as I am informed—must think about.

The fundamental principles of prosperity in every country are so well understood that they need but little if any discussion. They are so simple that with the proper coöperative action, the American people, collectively, can easily place this wonderful country of ours in the position that it is so well qualified to hold among the nations of the world.

I have keen admiration for our allies, who are making such efforts to rebuild the world, but I come home from Europe with

one very strong misgiving, that gives me sleepless nights and troubles me a great deal. I have been wondering whether, having won the war and made all the sacrifices that it involved, we are going to lose the fruits of victory.

If there was one thought above all others borne in upon me by my observations in Europe it was this: Germany has gone back to work as has no other nation in Europe. Her working people are economizing, sacrificing and throwing themselves into real production.

Is it possible that after having won the war, we of the allied nations, with everything in our hands, will allow Germany to win the peace through the efforts of her labor?

Will it be possible that the pressure of adversity will have taught the Germans such a lesson in the need of thrift and hard effort that they will have gained the permanent benefit from the war, while labor in the allied countries would have reposed in its ease and security and let go the most brilliant opportunity in all history?

Germany can to-day put a ton of steel in England at a price \$20 a ton cheaper than what it costs England to make it. Germany is to-day selling pneumatic tools in Detroit, where formerly we made such machinery and shipped it to Germany to sell there cheaper than she could make it.

The difference is solely a matter of labor costs.

Fundamentally the basis of all modern progress is the efficiency of labor. And the only sure road to restored prosperity is through the thrift and hard work of our people as a whole.

We hear much talk of the danger to American industry from European dumping. We have, on the one hand, a great obligation on the part of Europe to pay her debts to us; on the other, our absolute necessity to develop our export trade—which means all our products abroad.

We find our business burdened with taxes and restrictions of one kind or another. Yet I have complete confidence that the administration now in power at Washington will legislate soundly and correctly with reference to both tariff and taxation. That administration will correct the present weaknesses in taxation, and it will develop a system of customs duties which will promote and not hinder the development of industry.

I likewise see the master minds of the Nation carefully studying and developing methods of distributing among all our people the burden of liquidating our war debts. That burden must be met, and it will be met cheerfully. But, after all, these problems of tariff and taxation are but incidental, as compared with the transcendent question of work.

There are serious questions that we have all got to consider. Do you realize that in the manufacture of steel 85 cents out of every dollar paid out is paid for labor? Mr. Rea of the great Pennsylvania Railroad, has just told us that 70 cents out of every dollar that he pays out is for labor.

When you come to analyze commerce there is nothing to it but labor. If you are a manufacturer of steel, for instance, you may say, "We pay freights, and we pay for other things." But freight, when analyzed to its finality, is nothing but labor; and, therefore, the future of this country and the maintenance of its great commercial position, depend upon the efficiency of its labor. The other costs of manufacture represent but a small part of the total. The capitalist or manager gets only a small part of what the world produces.

Therefore, our efforts must be bent in the direction of convincing the great mass of working people of this country of the necessity of our winning and retaining our place in business and commerce. That place can be won only through the workers' own efforts and through their own efficiency.

Now, I am one of those men who believe that the best workman ought to have the best pay. I believe that the best man in any line of business ought to have the best return; and upon that fundamental principle we can build this structure that will last for all time.

God has endowed us with natural resources greater than those of any other country in the world, but it will require the united effort of all of us to realize upon them. We must join with nature in making this country the foremost among the manufacturing and business people in the world. I believe it will come only through difficulties and trials or struggles, but it will come quicker through a thorough appreciation of the situation by our great mass of working people.

I am one of the men who admires and stands for American labor. American labor, as a rule is of a higher type than the

great majority of people generally think. [Applause.] I say without hesitancy that in my long experience with labor and the average American laboring man, I have found standards of honesty and morality just as high as those of myself or of any other employer in this country. [Applause.]

Labor should have its fair share of the results of industry. Labor should be recognized as entitled to consult with management in the mutual interest. Labor cannot be driven, and business cannot be successful unless the men employed in it are enthusiastic and loyal. That loyalty cannot be obtained with a big stick; it must be based upon fair dealing and sympathy.

I believe in reward, and that every man should be rewarded as nearly as possible for the good work he does—the more work, the more reward; the better work, the still higher reward.

But labor kills the goose that lays the golden egg when it attempts to use its power not merely to secure justice, but to extort something unfairly from the other fellow. Labor on the whole can be paid only what labor as a whole earns, and if some sections of labor exact more than their share of the current produce of the world, other sections of labor are going to suffer and receive less than their share.

Our laborers are entitled to a high standard of living, and we should throw around them every possible opportunity to realize it. But the average standard will necessarily depend upon the average production, and not upon the mere money rates which are paid.

The world is going through a period of deflation, which means that the average money prices of everything must come down, and in so far as labor sets its face against a reduction in money, as distinguished from real wages, labor is setting itself against progress. I say this believing myself to be a genuine friend of labor, one who would rather see men happily, actively and continuously at work than to observe any other picture in the world.

The labor problem underlies our railroad problem. Railroad rates are to-day bearing heavily upon industry. We formerly sold pig iron at a profit, and at about \$14.00 a ton. To-day the cost of transportation involved in making a ton of pig iron is more than \$14.00, the gross price at which we formerly marketed the finished product. Obviously here is a situation which

must be corrected: The railroads are not to blame, for they themselves cannot make ends meet at the present schedule of rates, assuming present rates of costs. But their costs must come down, and the principal part of their costs is labor.

The same difficulty confronts our merchant marine. Whether it is in operating ships, building ships or repairing ships, labor costs in America in particular and to some extent throughout the world have been hopelessly high, more than the business will bear. That this is so is best evidenced by the millions of tons of shipping now lying idle in the harbors of the world, the great number of shipyards without work to do, and the hundreds of thousands of men who should be engaged in shipping and shipbuilding, without tasks to perform.

I am not suggesting legislation. Nothing is further from my purpose than to arouse heated argument or to stir up further dissension and irritation. I am trying to point out what is in the interest of all men to do for themselves.

We hear much of Bolshevism, much of Labor Unrest; at times we hear the word Revolution. But these are but contagious diseases of the body of civilization, and I believe that antitoxins of good cheer, mutual confidence, fairness and justice will ultimately cure these ills and make the world healthy and strong again.

These are problems to be settled man to man. We want freedom for employees and freedom for employers. We have at Bethlehem a plan of collective bargaining known as "Employees' Representation." It works. And it works by actually recognizing the rights of the men to negotiate with the management, and not engaging in needless discussion over words and phrases.

About all that is needed to put the world on its feet are the right qualities of mind and heart on the part of all men. The world must have its leaders, and never was leadership more needed than it is to-day. But this is not a time when a few men can save the world.

The call is not merely to the leaders, it is to the rank and file of men everywhere.

I mention the need of coöperation and confidence among the men who work, no matter what may be their relative ranks, because it is the vital factor underlying everything. Only as

we are willing to work to-day, work as we never have worked before, will civilization survive.

I believe that the time has arrived when American labor must have a voice in its own efforts; that American labor must be represented in the highest councils of commerce; that the day of autocratic government of labor has passed, and that we should meet the workman as our equal, and discuss our problems and his own problems with him, and in that way bring about a relationship that will undoubtedly redound to the benefit and credit and advancement of America.

This is a week of great decisions among the nations. As to what the Allies will do, and what Germany herself will be prepared to do concerning reparations and indemnity, we are still to learn. But I venture to make this observation: that above the struggles and controversies of the moment, we must recognize that the world is an economic unit. In the long run no nation can prosper unless the world prospers.

The supreme need of the world is peace and good will among men. It must be peace founded upon justice and fairness, the righting of past wrong, and the securing of the future as far as possible against the evils of the past.

Much of Europe's trouble to-day grows out of the fact that there is no peace in the hearts of men. There is no peace in reality between so many of the nations. There is no peace between capital and labor.

Now, my friends, I have detained you sufficiently long on this serious subject. It has been difficult for me to speak to-day, because, whatever may be said to the contrary, men worth while in business are men of heart and sentiment. If I did not find any sentiment in business, if I had no sentiment in manufacturing and upbuilding works, I would have been out of it long ago, because, to my mind, it would not have been worth while.

But when I look about me, and see the faces of friends, as I see them here to-day, when I find there is really a lot of sentiment in industry, when I see the faces of friends in the industry in which I am engaged, about me—friends that are true and tried—sentiment wells up in my heart, and repays me a thousand fold for all the efforts that I have ever made; and all the accumulation of fortune or money or business prestige pass

into the background of insignificance when compared with the great satisfaction that one has in knowing that one lives in a community of friends, who are appreciative of character, appreciative of American citizenship, and appreciative of true manhood, which cannot exist without sentiment, and the throb of the heart that responds, when such sentiments are so beautifully expressed as they have been by your distinguished President to-day. [Applause.]

I love to tell stories of incidents of my country home life in the little village of Loretta, in Central Pennsylvania. Going about daily I will see some incident that will bring some pleasant recollection or happy thought to my mind. I had one a few weeks ago, that I think is perhaps appropriate to tell you about.

My wife, who graces this meeting, with your kindly permission and at your invitation [applause]—my wife had a very pretty maid, and I had a very handsome farmhand, and the two fell in love with each other. The maid was accustomed to the ways of New York society, while the man, who was honest and straightforward, was a man who had been accustomed to the ways of the country. However, in due time, the wedding took place.

We were all present, and greatly overjoyed at the happy marriage—the bride with her face wreathed in smiles of happiness, and the groom a picture of keen satisfaction. When the ceremony was completed, I turned to him, and said, "John, you have forgotten to greet the bride." John said, "By George, you are right," and taking her by the hand, he said, "I am happy to meet you." [Laughter.]

Now, my friends, he might have said a great deal more, but he could not have expressed more, either of his love or sentiment, than he did express. And so your humble speaker to-day, however uncouth, however unpolished may have been his words, however irregular may be the formation of his sentences, no man, with all the eloquence of your President, or of Mr. Depew, or of Demosthenes, could express a sentiment deeper than that which I feel in my heart this moment, which wells up into my breast and overwhelms me. This is something that will live while life lasts, something that has brought a thrill of satisfaction that is inexpressible in words.

American citizens deserve no credit for doing their best to

protect their country. There is scarcely an American citizen who has not done that thing. There is not an American citizen who would not do the same thing over again, whatever might be the consequences. [Applause.] Our country first, our country all the time. We would not be worthy of the name of Americans if we did not have that desire, that willingness to do something—anything—for our country and our fellow man. [Applause.]

While I was glad to do my humble part in the war, and was happy in the doing of it, if I had but one supreme wish to express at this moment, that wish would be that I could contribute, in like manner, to the winning of peace, as we all did to the winning of the war. [Applause.] Let us, therefore, represented by this great Chamber, with all the distinguished men who are its members—let us, therefore, lend our efforts to the winning of a successful peace for the world and for ourselves, and for this beloved country of ours, that has been and always will be at the top of all nations of the earth. [Applause.]

Not only has God endowed us with great natural resources, but he has endowed us with a citizenship so full of patriotism, so founded on integrity, honor, and righteous feeling, that this country must go onward and forward. I am an optimist; I always have been an optimist. I hope I never shall be anything but an optimist; and as to the future of this great and glorious country of ours, any man who is not an optimist, I am sure, could never be admitted to membership in the New York Chamber of Commerce, which typifies and exemplifies the very highest order of American citizenship.

My friends, thank you, thank you, thank you a thousand times. Emotion breaks my voice, and I can say no more but "thank you." [Applause.]

FRANK ARTHUR VANDERLIP

THE ALLIED DEBT TO THE U. S.

An Effective Plan for its Payment

[Frank Arthur Vanderlip was born in Aurora, Ill., in 1864. After studying at the University of Illinois and the University of Chicago, he became a newspaper reporter and editor and later private secretary to Lyman J. Gage, Secretary of the Treasury. After serving, 1897-1901, as Asst. Secretary of the Treasury, he became Vice-President, later President of the National City Bank of N. Y. and a director and trustee of many financial and industrial corporations. For many years Mr. Vanderlip has been greatly interested in the commercial relations between this country and the rest of the world. His volume, "The American Commercial Invasion of Europe," was published seven years before the War, and after a visit to Japan in 1920 he wrote various articles on Japanese and American relations. Few men are more thoroughly informed than he on national aspects of finance and commerce. This address was delivered before the Economic Club of New York, in October, 1921.]

THE Great War increased the internal debts of the European belligerents from \$17,000,000,000 to \$155,000,000,000, a nine-fold increase. The external debts of these countries, which before the War were insignificant, are now in excess of \$25,000,000,000.

[After discussing the difficulties in the way of paying or cancelling or readjusting the debts to us, Mr. Vanderlip then proposed his novel and interesting solution.]

The paradox then persists. I would have the Allies acknowledge the justice of the debt, and would insist upon its payment; and at the same time I would recognize that its payment in goods would bring about such confusion in our domestic affairs that we will be more harmed by its receipt than we will be to forego it.

What then shall be done? Is there some way in which the integrity of national promises may be kept, some way in which our faith in national obligations may be left unshaken, some



FRANK A. VANDERLIP

plan under which our future international relationships may not be darkened by repudiation? Can we, while accomplishing those objects, at the same time avoid the consequences on the one hand of ruining our debtors, and the danger on the other hand of ruining ourselves?

All that is possible. America can, if she will, shrewdly choose the road out of this difficulty. Such a road would, I believe, lead to greater material gain for civilization in general, while for America it will lead to a great moral and vast material gain.

For America it will mean the most substantial material advantage that has ever flowed from any single political act. More important than the material gain—however immeasurably great that would be—there would be spiritual gain which would give us a moral leadership so far-reaching that the responsibility of it should make us humble rather than vainglorious.

I repeat that I would demand the full acknowledgment of this debt. It is a just debt, and ought, if possible, to be paid.

Next, I would want America to be both an intelligent and lenient creditor. Terms of payment ought to be adapted to the means of our debtors. In that respect we should take the action of the Allies in fixing the terms of the indemnity as an example to be avoided rather than followed.

The crux of my plan would lie in the disposition of the payments.

I would have America make a *beau geste*, a grand gesture, in international relationships. While demanding that the payment be made, I would have America say that she is prepared for the present to forego the receipt of it. That is how the consequences of the paradox may be avoided.

What, then, shall we do with it? I would like to see every dollar that can ever be paid to us by our debtors for years to come devoted to the rehabilitation of European civilization. It is only through the rehabilitation of European civilization that these debts can ever conceivably be paid. It is only through the rehabilitation of European civilization that America can ever conceivably realize in full measure her destiny, or can expect a full measure of prosperity for her people.

What do I mean by this generalization about the rehabilitation of European civilization? Why do I believe that America has the special wisdom which will warrant her undertaking such a work, whatever it is? Why, if Europe is indirectly to pay the bill herself, should she not be left alone to handle in her own wisdom the problem of reconstructing European civilization?

Let us examine these questions. By undertaking to rehabilitate European civilization I mean, in the first instance, that I would bring a spirit into the affairs of distressed Europe which would promise a revival of hope, a renewal of courage, a stimulation of industry.

There is to-day a pall of cynicism, of national hatred, and of disbelief in the sincerity of friend and foe alike, which makes the start towards rehabilitation almost impossible.

Towards the close of the War, President Wilson put into words of high spiritual meaning the very essence of the best of American aspirations of peace. His words influenced all Europe with a passionate hopefulness that there had come into the world of international relationships a new note of fairness and good will. Such a wave of idealism swept through the common people of Europe as had never before been witnessed in all history.

Those ideals were hopelessly crushed at Paris. Not one of them remained when the treaties were written, and Europe fell back into something far worse than its old-time cynicism. The voice of America, uttering beautiful doctrines of brotherhood, through its chief magistrate, sounded to Europe like a sacred gospel; and then America, along with her associates, abandoned that gospel. Hope turned into despair, belief into cynicism, and faith was burned up in new fires of racial hatreds. It is a commonplace to say that the greatest opportunity to benefit humanity that ever came to any man lay at one moment in the hands of Woodrow Wilson. The opportunity passed. Hopes were not realized.

To-day that same opportunity lies at the feet of America as a nation. Its fate no longer rests in the hands of one individual; it is the responsibility of a whole people. Having in our hands the opportunity to do an incalculable service to mankind, it remains to be seen whether, as a nation, we will rise to

that opportunity, whether we will perform the service that is before us, or whether as a nation we too shall fail.

Let us now soberly examine what it is that we might do.

Large sections of Europe are backward, judged by our standards. Backward though they may be, they are bursting with latent possibilities for development. A study of eastern Europe has aroused in my mind a vivid program. I believe a plan for the development of eastern Europe could be laid out which might well be compared to the vision our forefathers had when the latent possibilities of our great West were unfolded to their minds.

I do not mean that eastern Europe is a wilderness. In opportunity for development it is vastly richer than any wilderness. There is everything at hand there except education, economic organization, the application of enlightened methods to production, and the harmonizing of blind racial antagonisms.

Everything the War has cost, everything an unwise peace is costing, can be recompensed, and beyond that a great economic margin created, if eastern Europe can be put in order, can be helped and led wisely to handle its own problems, if the peoples of eastern Europe can be made to comprehend their economic unity, if they can be brought to understand that in the welfare of all nations lies the highest prosperity of each.

You may ask how can I soberly imagine that America can largely contribute toward that end, suppose she had in hand, and was ready to devote to such a purpose, the interest and principal of the allied debts? Great as that sum would be, it would, after all, be small compared to what Europe is already spending for government. How, then, is it likely that we could make much of an impression upon European civilization, even with such a sum wisely spent?

Curiously, as governments are organized in this world and time, they find it impossible to make expenditures for those very objects which would be of the greatest possible value in improving civilization. Moved as we are, governed as we are, it is possible for nations to raise by taxation huge sums, provided those sums are devoted to certain purposes. Without much grumbling a nation will tax itself to build at frequent intervals a \$40,000,000 battleship. It will tax itself to support a great army, to maintain a too numerous civil serv-

ice. As a matter of course, European nations tax themselves vast sums to pay for the cost of past wars, and to provide against the possibilities of future wars.

While a nation will, with prodigal hands, spend money on those things which have furnished the chief items of national budgets for a thousand years, it will at the same time refrain from doing an endless number of things which, if done, would profoundly affect for the better the nation's future, and profoundly influence for the better the course of civilization.

Most of such admirable projects are now left to be worked out in a puny way by an occasional philanthropist, or, the more often, left altogether undone. Any one with wide experience and awakened imagination knows that it would be possible to make expenditures of a character now rarely, if ever, sanctioned by the taxpayers, the return upon which, in terms of the welfare of mankind, would be incalculably greater than is the return from most of the objects upon which government incomes are lavished.

It is to such a program that I would devote for many years every dollar we can get of this debt.

I believe if the money was thus wisely expended, one of the results would be such marked economic improvement in Europe that in time every dollar of these debts could be paid. Although our claim would for a time have been expended without coming directly to us, the indirect result of the expenditure would many times over materially compensate us for the direct loss. It is now a claim we are never likely to realize or at least to realize in but small measure. If we would relinquish our claim to its receipt, if we would spend with purposes of high nobility what was paid us, we would indirectly get it all, and much more than all. Ultimately we would get it in fact.

If such a program as is here indicated were undertaken I would hope that little, if any, of the funds would be expended in strictly welfare work. The last thing we ought to do is to pauperize any one. There is still perhaps some welfare work that will have to be done, but in the main the expenditure should be made with great vision of the future, rather than as a palliative to ease the distress of the moment.

There is a situation at present in Europe in which the old

machinery of commerce, by means of which goods were interchanged, and the life of Europe's vast population made possible, is now so out of gear that a resumption of old commercial relationships promises at the very best to be but slowly brought about. Those old relationships must promptly be resumed, or much of what we call the civilization of Europe will perish. One of my first concerns would be to help to do that; but helping to put in order the old machinery of commerce would not be enough, nor would that accomplishment be really the ultimate aim.

A considerable part of what we received might well be used as a revolving fund of credit. It could be loaned to nations to help them accomplish specific purposes, purposes which we had carefully analyzed and believed to be economically sound and for the general good, purposes which would accomplish substantial and permanent economic and social results. The funds so loaned could in time be repaid; if the purposes for which they had been used were economically sound they could be repaid, without difficulty, and could then be similarly reloaned over and over again, and ultimately paid back to us.

Europe needs better transportation. We could help provide it. Europe needs a great development of its ample hydro-electric power in order that it may have cheaper motive power, and may economize its far too small fuel supply. We could aid in initiating such projects. There are cities in eastern Europe that need better systems of sanitation. Such provision would be of great economic importance. We could give impetus to it.

If time permitted, I would lay before you a much fuller exposition of the possibilities of economic development. I would emphasize what might be done for Italy and Austria in developing great hydro-electric possibilities. If we took only six months' interest, \$250,000,000, and put it into hydro-electric development, taking in exchange a mortgage on that development, we should have provided in those two countries for a saving in coal imports which would materially help them balance their foreign trade, and we would obtain for ourselves a sound security which would ultimately be repaid.

Mark that there is no relation under this between the source of the receipt and the place of the expenditure. The debts

are just debts, and should be paid. At that point our relations with the debtors cease. The expenditure of the money we receive would be made where and how we willed. Its expenditure would be our affair, not the affair of the debtors.

Some part of what we received, however, would probably be spent without possibility of direct return. If such expenditures were wisely made, the indirect return would be enormous. There could be written a financial prospectus of what might be accomplished by the wise spending of \$5,000,000 a year which would be the most fascinating financial document that was ever prepared.

Admitting for the moment the possibility of devising a sound and wise plan for such expenditures in Europe, expenditures so well calculated that they would bring quickly the blossoms of promise, and later the fruit of fulfillment, to European civilization, you may still ask why do I think that America has the wisdom, the experience, the temperament, the freedom from unwise political interference which would warrant the hope that we could, even with the best motives in the world, successfully conduct such a great experiment.

A most impressive reason for believing this to be within the range of possibility can be pointed out. It is the work Americans have done, and are doing in Europe. I have seen something of that work this year. I have studied with care in many countries the administrative ability which our countrymen are showing, and I have rarely seen anything that made me prouder of being an American.

I know something of the work which the American Relief Administration, operated under Mr. Hoover's direction, accomplished. I have met many of the men who are doing that work. It is a small staff, but it is made up of as capable a group of vigorous, efficient and high-minded men as were ever brought together for a common purpose.

While the work which has been done by a number of American organizations, such as the Red Cross, the Y. M. C. A., the Quakers and the Near East Relief is a quite different work from that which I would hope to see undertaken under this program, the character of management of these organizations, the ability which they have displayed in working with foreign people and training them to a large degree of self-helpfulness

leads me to have great confidence in the American genius for work in foreign fields. I would not, by any means, have the work which these organizations have been doing duplicated under this program, but I would feel confident that the type of work which I have in mind could be accomplished with as signal success as has been the other type of work which Americans have been doing in Europe.

I have had the opportunity to observe also in the near East a work which has extended over a far longer period than the American Relief Administration. It is a work less picturesque than that done by some of the American organizations working in Europe, but it has had the advantage of time to prove its soundness. I refer to the results accomplished by such institutions as Robert College and the Woman's College at Constantinople, as well as to the general educational activities of various American religious groups—activities, I may add, that have risen far above a desire for religious proselyting, activities in which men and women have wholeheartedly given themselves to service, and have had for their aim the sound building up of human character, and have been very little hampered by efforts to propagate doctrinal beliefs.

No one can travel through the near East and meet the men who are to-day responsible for the administration of affairs without in the first place being impressed by the number of such men who are graduates of Robert College; and then further being enormously impressed with the profound influence which the training in such a college of a comparatively few men has accomplished in the political and social life of the near East. It is no overdrawn statement to say that the most potent single influence for good in near Eastern affairs can be directly traced to the invigorating spirit of sound manhood which has emanated from Robert College. I saw evidences of this in every country in the Balkans.

It may be answered that such influence has not yet brought about a millenium, and that is true; but it has certainly saved millions of people from immeasurably more unhappy conditions than those which they have actually encountered.

If I single out Robert College it is only because I saw more first-hand evidence of its influence. In its way Constantinople

College has performed the same sort of service, and I have no doubt that other American institutions of learning—and there are some thirty now—have had considerable careers of usefulness.

All the way from the Baltic to the Black Sea, in Poland, Czecho-Slovakia, Hungary, Jugo-Slavia, Bulgaria and Turkey, there is a newly awakened passion for education. Men are coming to see that democracy can survive only if there are soundly educated leaders. A work of helpfulness and stimulation can be accomplished in education; a work which will receive enthusiastic support from these various nations. They would cheerfully accept high-minded direction. Such a work would cost, in the light of figures we are now dealing with, but a trivial sum. It will profoundly influence the future course of civilization in Europe, and the future welfare of the world.

I do not believe this is an impractical dream, but rather that it is a most materially practical project. The fruit of it would come to quick maturity. Lessons of mutual racial respect and considerations are being learned in the schools, colleges and universities where numerous races, born to blind antagonism, are being educated side by side. Multiply the opportunity to learn such lessons and a profound influence toward softening the world-old hatreds of Europe will be set in motion.

Believing, as I profoundly believe, that the real fundamental solution of Europe's difficulties is a spiritual one, believing that with a continuance of these blind racial hatreds peoples must economically perish, I am convinced that to multiply such institutions as Robert College, and other equally efficient institutions with similar aims, would be a great and fundamental step in the regeneration of Europe. I believe too that America has men of the high purpose and broad vision which will make them sound leaders for such a movement. I am confident that enough work of this sort has already been done to create a prestige for America which will make a larger effort of this character a welcome one.

We would not have to carry it on single-handed; we would only need to start, organize and direct. The means for the enlargement of its scope and the adaptation of its growth to the national genius of the different countries would come from

local sources, and in most of these countries there would arise at once generous springs of local self-helpfulness.

All this is not merely a spiritual ideal, although spiritual ideals are, after all, the granite rocks upon which material well-being is built. I can see the quick economic response that these countries will make to influences of this character.

The effect of the program I have in mind would not be confined to eastern Europe. The restoration of the economic stability of such countries as England, the restoration of the economic stability of all those countries that have become so highly industrialized that they must sell the products of their labor in the form of manufactured goods to obtain the food upon which their existence depends, lies outside of themselves. If they are to continue to live with their present numbers, they must have solvent steady customers for their goods. No greater service could be done those countries nor America than to help build up into economic soundness the customer nations which are to-day stagnating because of mental and economic backwardness and racial hatreds. If markets were opened, industrial nations which are now facing starvation would quickly be able to render a service to world society, against which the world will provide them with ample food.

Let us look at the matter from another angle, the angle of food production. No one who has travelled in eastern Europe with open eyes can avoid the impression of tremendous latent agricultural possibilities. Take the illimitable grain fields of Roumania and South Russia, for example. There is no better land in the world.

These wonderful grain fields of South Russia, now plowed in a way that but scratches the surface by the diminutive ponies, which in the main compose the working farm animal population, produce on an average six bushels of wheat to the acre. Intelligent instruction, better seed and better breeds of farm animals, the introduction of modern machinery and an arrangement by which small holdings are united under co-operative associations so that the full benefit of motor driven farm machinery can be realized, will easily result in producing three times their pre-war product. A work can be done in educating the peasants of eastern Europe to better agricultural methods, which will compensate most of the losses of the war;

to do that will require only a little capital, and a large amount of high-minded, unselfish service. Such an undertaking as I propose could readily accomplish that.

Is this a plan that would build up difficult competition for our own farmers? Not at all. It is a plan which would help feed a Europe which may otherwise be but partially fed, and help restore to Europe the economic power which will make her a greater customer of America than she has ever been before.

I would not plan to take from England, France, and Italy the last dollar that could be forced from them to pay their debt to us, and then spend it all in eastern Europe—great as the indirect recompense of such an expenditure would be in benefiting those western nations. On the other hand, I would not presume to impose our ideas of culture upon those already highly cultivated nations. So far as they were ready to accept grants for purposes for which they are, for the time being at least, incapable of providing by direct taxation, purposes that they themselves would recognize will work out for their ultimate great benefit, I would let a portion of the money they paid us be expended within their own borders.

I would propose to England the establishment of great scientific laboratories. With her genius for sound scientific research she would, through a stimulation of technical education and scientific investigation, give to the world new knowledge of incalculable value.

I would give to Italy, if she agreed to have it, the means for establishing great schools of applied art, so that the tremendous genius for handcraft which the Italian possesses may be turned into channels which will produce goods to enrich the world.

I admit that it would be more difficult to plan such contributions for France. I have memories of service as a Director of the Society for Aiding French Orphans. France rests in the belief—and with no small amount of sound reason—that her culture is already so perfect that she would not accept such expenditure if it came with a touch of American direction. In that field we ought to proceed with caution and modesty and good taste; but even France might agree that some of the money she paid us could, in turn, be expended upon objects

in France that would work out for the benefit of mankind.

I would not make the expenditure on such a program as I am trying to outline wholly a matter of American direction. Remember there must be no relation between the payment of the debts and the expenditure. The debts are just and should be paid. But I would draw upon the culture, the training, the special knowledge, the high purpose of the best of Europeans to aid in formulating the program and in administering it, always keeping the control of the situation, however, in our own hands, for it would be our money that was being expended.

How to administer such a trust as I am suggesting would form a chapter too long to include in this outline. Perhaps I can visualize what I have in mind in regard to administration in a sentence. If the administration of the whole project of expenditure were placed in the hands of a commission, headed by Herbert Hoover, I think we could all safely go about our domestic affairs and find nothing but satisfaction as we read the report of the work.

Our history is not wholly devoid of adventures in altruism. When, after the Boxer Uprising, America in common with several European nations was, somewhat to America's embarrassment, awarded an indemnity of some \$20,000,000, we promptly declared that while it was probably just that China should pay us that indemnity we did not propose to receive it for our own enrichment. So we have in all the years since devoted the payments on account of that indemnity to the education of Chinese students in American institutions. The result of that magnanimous act was to give America a prestige in China such as no other nation enjoyed. That prestige would have been translated directly into commercial profits had not the government of China fallen upon such evil days, and had not the commercial opening of China, which some day will be a certainty, been for the time delayed.

I should have no hesitation in arguing the merits of this plan with the coldest of American materialists. All I would ask is that such a man have imagination enough to look ahead a few years for results. Never was there a greater fallacy than to say there are no friendships in business. The very warp and woof of business are friendship, confidence, mutual

trust, belief in honest and not too selfish purposes. As a matter of fact, I believe that if we were to look selfishly at the situation over a period of, say, twenty years, there is no other proposal in regard to this allied debt which would begin to give America the material results that such a proposal as I have suggested will bring.

To the mind that hesitates over such a project as this I would like to put a question. If this plan is not acceptable, what plan then would you propose? To insist upon the payment, and fully to accept all the payment that we could force our debtors to make, would certainly result in two things: In the first place, we will get very little; in the next place, we will create a general European atmosphere of antagonism.

The debtor never loves the creditor. If the debtor is seriously impoverished, if the creditor is rich and powerful, if there are circumstances concerning the debt which permit the debtor to argue, to his own satisfaction at least, that there are palliative circumstances which throw doubt on the full validity of the debt, the relations between debtor and creditor must necessarily become strained.

Under the plan here proposed, it seems to me that the sting of our insistence would be taken away even from the minds of those who to-day see with the least clearness their moral obligation.

If we convert the debt due us into a debt due to humanity the whole world will want to see it paid. Each national neighbor of our debtors will be even more insistent than we that the obligation be discharged, because each will have hopes of improving its own situation with the aid of some of the funds so realized. World sentiment would be favorable to this debt being paid if the purposes to which the accounts were to be devoted were clearly seen to be wise and sound purposes for European regeneration.

We need not make an irrevocable decision when we embark on this program. For a good many years, I believe, it would be wise for us to devote all we receive to such purposes as I have suggested. It is entirely probable, however, that there would come such economic restoration that in the end a considerable part, conceivably nearly all, of the principal might be paid to

us. Interest money that we loaned and reloaned for economic development would be converted from the original obligation of the Allies to obligations representing material properties which we created, and probably backed by the obligations of the governments of those countries where this economic development took place. The time might come when we would cease to make these sums revolving credits for European economic development, because there really would not be further need for us to do so. Then the money would come back to us.

I am firmly convinced that in the great catastrophe the War has brought there has been created an opportunity which could never otherwise have arisen. The obstacles which have arisen in the path of European civilization can be turned into stepping-stones leading to a position vastly better than anything Europe has ever known. The War has made a great awakening in millions of dormant minds. It is possible that newly awakened impulses, if they can only be harnessed up to the machinery of production and distribution, can result in a great actual improvement of civilization. That awakening, those impulses, are now disconnected from any machinery of commerce, and they may all be lost in a decaying civilization. We can help turn them to account. The possibilities that there are in society for realizing better conditions for all humanity are undreamed of. The opportunity has arisen to make those possibilities realities.

If we insist to the letter upon our claim, our claim will in all probability never be met. If we insist upon it selfishly, we realize in hatreds but not in cash. If we are generous, and wisely generous, those claims can all be paid, and I believe will all be paid, and the good we do with them will mean more to us materially than anything we would conceivably be parting with.

"For whosoever will save his life shall lose it; but whosoever shall lose his life for My sake and the Gospel's, the same shall find it."

PAUL MORITZ WARBURG

INFLATION AS A WORLD PROBLEM AND OUR RELATIONS THERETO

[Paul Moritz Warburg was born in Germany in 1868. He rose to prominence in the banking world as a member of Kuhn, Loeb & Co. He resigned all directorships and trusteeships on appointment by President Wilson as member of the Federal Reserve Board for the term 1914-18. He was of the greatest service to this country in the direction of financial affairs during the War. At present he is Chairman of the International Acceptance Bank, Inc., New York City. Mr. Warburg has written and spoken on public finance and is recognized as an authority in this field. This address was given at a meeting of the Academy of Political Science in New York April 30, 1920.]

THERE is no doubt that from the economist's point of view our topsy-turvy globe looks gravely ill just now. Mr. World lies prostrate, and the doctors at his bedside are putting their heads together in anxious consultation. A Princeton specialist diagnoses the case as one of acute inflation. If he could only arrest it he believes he could save the poor man. It is this terrible inflation, he contends, that causes Mr. World's high index temperature and disturbed circulation and that makes him consume so much and produce so little of essential substances.

"No," replies another Professor, "he is so inflated only because we cannot cure his condition of under-production and over-consumption."

"Nonsense," says Dr. Vandersnip, "you have doped him too much, that's what causes the trouble. Stop using artificial stimulants and drugs and he will come through."

"How could he have survived if I had not doped him?" says Mr. Muchado, the surgeon, "and, having accustomed him to the drugs how could I withdraw them from one day to another?"

"Let me stabilize him!"—urges Prof. Irving, another specialist.—"His blood pressure is unbalanced; let me stabilize it, that would cure him forever!"

Poor Mr. World looks at his doctors and feels very low—he does not believe they quite understand his case.

What is the matter with Mr. World?

The truth is that he has just passed through a very severe attack of his old trouble—war. He has never been quite free from it. Every now and then he had a more or less acute spell. But whenever it was over he soon forgot all about it and, instead of trying to mend his ways and find a permanent cure, he went back to his old bad habits. This last attack, however, was so grave that Mr. World has made up his mind to sign a pledge that he will thoroughly reform his mode of living—if only he can survive.

Will he make good when he gets well, or will he forget again? Who knows? But in any event the doctors must get him back on his feet and give him another chance. How can they do it?

Let me discuss the case not from the point of view of the learned specialists, but from that of the plain country practitioner.

In the life and death struggle of war sound economic precepts have to give way to the dictates of self-preservation. What orderly corporation could dare to issue millions of funded obligations for the purpose of covering running expenditures without any corresponding addition to its assets? But Mr. World increased his obligations by more than \$200,000,000,000, while his plant and operating efficiency deteriorated at the same time. These loans were the drugs, they were necessary to save the patient, they stimulated his activities, they gave him a feeling of strength and confidence—while, as a matter of fact, each successive loan, like a drug, further weakened him and made recuperation so much more difficult.

Can there be any doubt that from the day of the armistice it should have been our earnest endeavor as fast as possible to arrest the use of drugs, not only on the part of ourselves but also on the part of our friends, and even our one-time enemies? But so thoroughly was the world “doped” that it took over a year from the date of the armistice for peoples to begin to recognize that they were living on a fictitious basis of prosperity; that by continuing to incur more debts, new wealth could not possibly be created, but that instead by increasing the national

indebtedness and currencies they were simply depreciating the value of investments saved in the past.

The historian will be amused to register the utterly impracticable and freakish theories and plans that, from time to time, were propounded when our generation was first faced with the problems of price inflation and depreciation of exchanges. To-day we smile at the thought that men who consider themselves leaders in economic and financial questions should seriously have entertained the view that prices could be permanently kept down by price fixing, or prosecutions, and that depreciation of exchanges was due largely to Wall Street manipulations; that exchanges could be kept at par simply by organizing a national institution which should clear all transactions in foreign exchanges.

To-day we have no difficulty in understanding that once gold payments are suspended, foreign exchanges largely express the differential between various degrees of price inflation and money depreciation in the various countries affected, and the different conditions of productivity and credit.

We have no difficulty, furthermore, in fastening in our minds the conclusion that now that the United States Government has definitely, as we hope, adopted a policy of living within its income, countries that persevere in covering current deficiencies by piling up additional indebtedness cannot expect to be able to arrest the fall of their exchanges in our markets, by the simple process of incurring new foreign loans.

It is not my ambition in these short remarks to present any new views concerning the causes of inflation, which are generally understood, but rather to dwell for a moment upon the relative position of sequence and importance of its various stages as they impress the country doctor.

When war is declared the first thing that happens is that the government post-haste orders all the things immediately required for the carrying on of the struggle. (Simultaneously people are withdrawn from their regular occupations and others must be attracted to take their places.) The chief aim at that juncture is to get the things and to get them at once, the question of price becomes a consideration of almost negligible importance. Moreover, in order to stimulate production to highest efforts and beyond its normal peace capacity, attractive

prices must be offered. Large prospective profits, in turn, bring about a competitive demand for materials and labor, and prices are thus started on their long upward flight.

Government war expenditures are incurred with terrific speed and, as prices go up, expenditures rise in a constantly growing measure. War funds must be procured at once, while (aside from the dampening influence that over-taxation would exercise on the war spirit of a country and on its eagerness to increase war production) it takes time to pass laws, to devise new sources of revenues and to organize the machinery with which to collect taxes. Government bonds must, therefore, be issued and once the beginning is made, subsequent flotations follow in ominously quick succession.

Moreover, high profits and high wages produce extravagance, and no matter how hard any government may try, it has been shown that everywhere government issues had to be placed in increasingly large amounts than could be absorbed by the actual savings of the people.

It is at this stage only that banking inflation begins to become a factor of far-reaching importance. As long as the countries maintain their gold standards, the necessity to preserve the power of commanding gold, or the fear of losing gold, or the apprehension that banking liabilities are expanding beyond the safe limits laid down by laws or tradition, act as effective brakes against over-expansion in banking and thereby on over-speculation and excessive rises on prices. In normal times new evidence of wealth is produced by the addition of new tangible objects to the country's balance sheet, less what was consumed in the course of their production. Expressed in unscientific language, this is what would generally constitute the annual savings of a nation. To the extent that in normal times savings do not catch up with the production of new objects, bank credit temporarily will be called upon to fill the gap. But as long as a gold basis is adhered to, there is a distinct limit up to which expansion may go, when necessity or caution will force a halt. Banking expansion normally increases, therefore, in a definite relation to actual savings—hothouse growth on top of actual savings being limited by the relation to gold reserves which must be maintained. In times of war these boundary lines are removed. The steel ring that before held

tightly in its grasp the bulging bale is now converted into a weak rubber band. Investments and deposits do not grow any more as tangible assets of value are added to the country's resources, but they are swelled by government obligations issued for services of no lasting value, and even for work that destroys assets instead of producing them. Moreover, the rise of prices naturally increases the loan structure, which can now grow without let or hindrance, for serious consideration is no longer given to the shrinking of the gold reserve and, savings being unable to absorb government bonds as fast as they are issued, reserve balances are created and currencies are issued against loans on government bonds, or as in some countries, against direct advances to the government. As long as reserve balances are created and circulation is issued only against self-liquidating paper, which represents things in course of production, and as long as this process is kept within a safe relation to gold, there may be more or less acute banking expansion, but there would not be any cause to call it inflation. It is when bank loans, reserve balances or circulation are being created against things that do not represent any tangible value, and gold reserves are disregarded, that we face inflation in its classic form. Indeed, with us that inflation took place, when government securities to the extent of approximately one and a half billions became the basis for Federal Reserve bank loans, even though, due to particularly fortunate circumstances, we were able to preserve a remarkably strong gold protection. (This was only possible, however, because at the beginning of the war we had a vast gold treasure wastefully decentralized, in scattered bank reserves, or in actual circulation, and because we were able to concentrate this gold effectively, and to add to it a billion dollars which came to us from foreign countries.) It is of the utmost importance that we realize the fundamental—though in protracted wars unavoidable,—part played by government borrowing in causing inflation. I can hardly perceive that inflation could have taken place in any country enjoying a modern elastic and well administered banking system, if government printing presses could have been prevented from doing their nefarious work.

We must clearly bear in mind the three different stages in the process of war inflation: first, rising prices caused by the

precipitate demands for goods by the government and accompanied by disorganized production; second, depreciation of money caused by the process of rapidly increasing the national debt (in form of bonds or currency) in advance of the country's saving power; and finally, inordinate bank credit expansion, degenerating into inflation as a consequence of the dilution of reserve money and circulation through direct or indirect government loans. It is true that as bank-credit inflation progresses, it, in turn, becomes an active factor in depreciating the value of money and in boosting prices. But, to my mind, this development is the evil counter-effect of the other two, not, as some economists appear to think, the primary cause.

You may ask: why lose so much time in this analysis of causes and effects? Because the word inflation, though covering a multitude of sins, is often used as designating one disease, and as a consequence, there are many that seek relief in one single remedy, while it is all-important to grasp it as firmly as possible that Mr. World is not suffering from any one particular sickness, but from several. He is at present like a patient suffering from a broken leg, a toothache, and an attack of pneumonia. The three things combine to make him feel miserable, but each ailment must have a separate cure.

Increase of government indebtedness must be arrested, and national budgets must be balanced, by reduction of expenditures and increase of revenues. (Indeed, wherever possible, a gradual amortization of government loans must be aspired after.)

The inordinate demand for things must be met by increased production and by greater moderation in the extravagant consumption of goods.

Banking inflation must be combated by an earnest attempt to reestablish and preserve the healthy check placed upon us by a conscientious observance of our gold obligations, which implies a stricter control over bank loans and a greater effort to liquidate excessive loans, commercial and governmental, by savings.

The world as a whole must tighten its belt if there is to be enough for all. That belt is a strict control of credit without which the world will continue to gorge itself and inflate.

While to the layman rising or falling gold reserves may serve as the most impressive gauges from which readily to judge to

what extent our banking situation gains or loses in strength as a more reliable standard to indicate banking expansion, and its effect on price levels, we should at this juncture rather watch the item "total investments" in the Federal Reserve statements. We might be forced to export hundreds of millions of gold, seeing our gold reserves correspondingly reduced thereby, and still be justified in continuing to do our business without disturbance or alarm; our general position of overtowering strength remaining unaffected, due to the large debts the world owes us as a whole. On the other hand we might gain several hundred millions of gold, which would increase our gold reserves, but we should not be inveigled thereby into establishing lower interest rates or into encouraging a planless increase of the Federal Reserve banks item of "total investments," which would involve further banking and price inflation. Larger gold holdings would simply indicate that we should have accumulated greater strength for the possibility of such expansion provided that, in due time, it could be based upon the natural growth and the solid foundation of increased production and actual savings. It must be our first concern however to get the world back upon a basis of normal production and if it should become imperative for that purpose temporarily further to expand—then, I believe, and only then, should we be prepared to make an exception to this rule and permit it. When an engine reaches the dead point, we often have to reverse it in order to get the train started in the right direction. When we have a weak customer, who owes us a great deal of money, we sometimes have to loan him more in order to enable him to get over his difficulties and pay us back. In other words, we must arrest planless inflation, caused by hysterical competition and crazed speculation and extravagance, and husband our resources so that we may use them courageously when we know for certain that expansion is devoted to purposes that ultimately will bring a cure; that it is a definite means toward a definite essential and constructive end which, in this case, is to arrest the endless rise of prices and to prepare the way for ultimate deflation.

It is important, however, to recognize that inflation will only capitulate if a concerted attack is made from all the three sides I have described. Banking contraction alone cannot effectively

be brought to bear if the government continues to increase its indebtedness in payment of current deficiencies, nor can it succeed unless production is increased. By attempting to curb loan expansion and government issues, we may at best prevent a further rise of prices but we cannot hope to substantially reduce prices if, in addition, we do not manage materially to increase production; unless, indeed, consumption be decreased to a larger extent than at present appears possible.

And this leads us to another very obvious conclusion, which is that, with labor conditions what they are and extravagance being what it is, it is foolish to expect that the few countries living in fairly undisturbed economic and social conditions could speed up their lagging production to a degree sufficient to make up the deficiency caused by the voluntary or enforced idleness of countries involving more than 200,000,000 people in Europe.

The world before the war had become one closely interrelated economic unit. The products of the mines of Chile and Norway had become as important components of European and North American industrial life, as Brazilian coffee and Chinese tea had grown to be integral parts of our diets, and Manchester or Chemnitz goods had become necessities in the lives of the Chilean and Australian. Two countries, geographically remote from one another, might face ruin or starvation unless they could exchange foodstuffs or coal, or other goods or materials. The war, and the social upheaval following in its wake, have brought about drastic changes in the relative positions of capital and labor. The latter, in the future, will insist upon a larger share in the results from its work—and will claim this larger share, moreover, for a smaller return in work.

In the face of these circumstances is not the inference all the more inevitable that it is idle for us to assume that we could get the world back into a condition where goods seek the market more than the market seeks the goods, in other words, that we may come to see an era of receding prices, until the entire world returns to a fairly normal state of production and interchange? Until that is done, the demand for goods will dominate the situation; and as long as the demand for goods reigns supreme, labor will have the whip hand both as to wages, and to the services it is willing to render at any price. We can not

expect to get control over wages and prices (nor can constructive labor master its own difficulties) until the world as a whole puts its house in order and until labor in Europe competes again with labor over here.

It is quite evident that such glaring disparities as at present exist between our own prosperity and the acute suffering in some parts of Europe in the long run will not be permitted to prevail. Unless we indulge in the impossible assumption that peoples can be caged up, so that they may perish of disease or starvation without disturbing their neighbors, we must expect that by sheer force of necessity these hungry and desperate hordes will come over here in order to share with us our own plenty and opportunities. Some twenty or forty millions of additional immigrants, to be fed and clothed by us, would quickly solve a substantial part of our problem of placing our excess production. Would such extreme development, however, be the most economical, the most humane and, for us, the most desirable solution; and, if it is not, what is the alternative?

Over here we have a shortage of labor and an over-supply of raw materials. Over there, Europe has an excess of labor and a shortage of raw materials. We have high wages; Europe has lower wages. We have too much food; Europe starves. We are the world's creditor; Europe is in our debt and has not the means with which to settle. Is not the logical solution of this problem that our capital should go right into the countries that at present most need a helping hand? Instead of increasing certain plants in our country where there is a shortage of labor and higher prices would it not be logical that we assist in putting into operation similar plants in countries with excess labor and lower prices, where, in consequence of the unprecedented depreciation of their exchanges, in some cases we could buy factories or properties at a fraction of what it would cost to reproduce them here? Is it not obvious that by furnishing European countries with raw materials and credits, we would help them to restart their economic life and place them in a position where they can pay their just debts and where, in the long run they can work their way back to approximately the same standard of living they enjoyed before the world was thrown into the turmoil of war? The ways in which this could best be done would differ according to the

varying political, social and economic conditions of the countries affected. In some the usual methods of granting short-term banking credits and of buying securities, foreign or their own, may still be applicable. In others, where foreign exchanges are subject to violent fluctuations, or where the local currencies have become so depreciated that in world markets they have practically lost their purchasing power, it might be indicated to combine the sale on credit of raw materials with a contract for the sale of the finished articles, into which the raw materials are to be converted. In others it may prove the best solution to buy part ownerships in existing factories or plants.

There never was an opportunity for an undertaking more tempting from the economic point of view and more appealing as a work of healing the wounds that a crazed world has inflicted upon itself. Governments have shown that they are capable to direct, and that they can unite in directing, the work of destruction. In coöperative work of reconstruction, most governments, so far, have shown themselves dismal failures. The bulk of that work (barring relief to be given to peoples facing extirpation or decimation by starvation, disease or economic ruin) will have to be carried on not only by the governments, but primarily, as it would seem, by the direct initiative of the peoples.

One could fill a large volume in discussing the question of private enterprise *vs.* government operation. It has well been said that either our political and economic problems must become smaller or our leaders must become bigger. Tested by billion dollar and one hundred million people units, the human genius and capacity of the present generation have been weighed and found wanting. Speaking by and large, I think, therefore, we should beware of drawing any government into activities it could in fairness avoid. The larger the government's scope of operations, the larger must be the number of billions it must raise. Excessive taxation is a wasteful and uneconomic procedure, because it continuously withdraws funds from points where they have converged for productive purposes and at once scatters them again. It is a violent and haphazard process of distribution,—funds often being taken from those that produce in order to be placed in the hands of those that waste—and

at best it involves a long continuous and costly interruption of the flow of money into the channels of production. Moreover, whenever the government's expenditure moves ahead of the country's saving power, this distribution takes the form of inflation.

Inflation, as we all know, is the cruelest and unfairest method of taxation. It arbitrarily decimates entire classes of the most valuable elements of our population and blindly enriches others, amongst whom are those who gamble and profiteer in the very things the world most urgently requires. The heavier a country's burden of expenditures the vaster the volume of funds it must collect and distribute, the more drastically does it interfere with the healthy development of private enterprise and the nearer does it draw to the fatal abyss of so-called "socialization" or "nationalization."

Bearing these circumstances in mind, one cannot but follow with genuine alarm the impending danger of seeing the government committed to an expenditure of more than \$1,500,000,000 involved in the contemplated soldier's bonus legislation. It threatens to lead to the alternative of over-taxation, or increased Treasury borrowing of a temporary or more permanent character. In one form or another it would, therefore, lead to inflation or disturbance and delay the ultimate adjustment.

In closing permit me to sum up the practitioner's advice in the case, as follows:

We must fight inflation with all the means at our disposal:

First by arresting the further increase of government indebtedness and, if possible, by reducing it;

Second, by trying to call a halt on further bank credit and note-issue expansion, destroying thereby the atmosphere of easy money and paper prosperity that makes for individual and corporate extravagance and fosters discontent amongst the masses and renders them disinclined to give their full measure of work. In doing this we must boldly tackle the most difficult task of curbing the production of unessentials and of stimulating the production of essentials;

And finally, we must fight rising prices by stimulating essential production, not only here but also abroad, which means that we must furnish Europe with the materials required in order

to rehabilitate her industries so that once more she may become self-supporting. As far as this involves the granting of further credits, it should be our determined purpose to provide them from our savings; if we are incapable or too irresponsible to accomplish this, we must submit to paying for the unsaved balance by inflation. That would prove, as we have seen, a wasteful and highly regrettable alternative, but it is easier for us to bear the sacrifice than for Europe. Moreover, by curbing extravagance it is in our own hands to counteract the evil effect of such loans. Irrespective, however, of the moral or humane issues involved, from the purely selfish and practical point of view, we know that unless we help Europe to preserve her industries and social institutions, we may not ourselves hope to regain control over prices and wages; and social unrest and disorder in Europe are bound to throw their shadows across the Atlantic and the Pacific.

Further inflation, carefully measured and applied, may thus become a painful remedy in case we fail to master our extravagance. Obviously, we must not permit the dose to be made one single grain heavier than the most conscientious study, and our most determined efforts to avoid it entirely, may warrant. This duty of carefully restricting to the minimum this measure of our support is an even graver one with regard to its recipients than with respect to its giver. For European countries of to-day are staggering under the load of their debts; any new obligation adds further to their burden, and increases the difficulties of their ultimate recovery. Support must, therefore, be restricted to the minimum that would remain as an imperative and irreducible requirement after a country abandons its vicious war habit of printing notes and obligations in order to cover deficiencies, and after it arrests the flow of easy money and credit that encourages extravagance. For no good purpose could be served by pouring water into a tank without a bottom.

Mr. World cannot be cured by fake patent medicines, but only by sound habits of hard work and thrift. Moreover, Mr. World must remain conscious of the fact that his body has many component parts, all of which must be brought to their normal functions before once more he will feel truly comfortable and happy.

If, in order to help Europe to return to a basis of order

and increased production, we are to tighten our own belt and save, or failing that, to bear the additional burdens of inflation, Europe herself must do her share whole-heartedly in bringing about that result. We can help Europe to regain her productive powers only as European countries help one another.

With that great force and straightforwardness which we have learned so deeply to admire, Signor Nitti said:

War and peace are not only facts. They are states of mind. The trouble with the world to-day is that it is still in a war state of mind. It must get into a peace state of mind. The war is over. Let's have peace. Every man and nation must produce to the utmost. Without real peace the nations can not produce.

No truer words have been said. Even though, through a pitiful combination of circumstances we, of all nations, are technically still at war, and thereby forced to stand aside at the very moment when we should be leaders in the front rank, the all-important fact remains that the war has been ended since a year and a half, and that reconstruction and peace must at last become an actuality amongst the nations. Not until a clear and practicable program is laid down for Europe's future economic life, and not until our own relation thereto has been definitely established, shall we reach a basis on which America will be able to throw herself confidently and unreservedly into the task.

From aristocratic ages we have taken over the old beautiful saying: *Noblesse oblige*. Translated into plain democratic American language it means that we cannot seclude ourselves and aspire to live in wealth and contentment, while the rest of the world suffers poverty, starvation and distress. If we were willing to accept that position, we could no longer keep our heads high as citizens of the United States when in the future we gaze into the eyes of our fellow-men.

It would be a tragic irony of fate if the most unselfish and most generous effort ever made by a nation should lead to such a pass. That outcome is unthinkable. No matter how much at present we falter and flounder, that ultimately we shall rise to the standards of our proud traditions, nobody can doubt who knows and trusts in the fair-mindedness and self-respect of the American people.

